



Perfect Principles in an Imperfect World

By Michael Fleming

This fall, The Equipment Leasing and Finance Association adopted principles of fair business practices to help its members reflect on their business practices. Likewise, the National Association of Equipment Lease Brokers announced a new ethics examination aimed at codifying a set of principles for leasing brokers.

Leaders of the two organizations recognize that their members are in a service business, where a positive customer experience is essential to long-term success. The Alta Group applauds the above moves.

Like other industries, companies in this business make money by adding value. Value is added by managing the imperfections in a customer's world. Lessors add value by managing imperfections better than their customers can manage them. Lessors usually can raise capital at a lower rate, manage tax incentives to reduce tax liability and provide asset management services. Lessors also offer training, keep software

upgraded, balance cash flows and generally manage all other aspects of asset acquisition, maintenance and replacement.

They ultimately bring perfection to the customer's imperfect world.

The Alta Group regularly works with lessors to help them look inward and evaluate their business practices in terms of the market and their objectives.

For decades, however, lessors have made money imperfectly as well. Some companies follow practices that knowingly or unknowingly took advantage of customers through imperfect business practices or claims. These practices are often defended as necessary or legal. But are they fair? Do such practices build positive reputations? Do they generate repeat business necessary to organic growth? Do profits earned from such imperfect practices outweigh the costs of enforcement, ill will and lost future business? Is the money earned worth the cost of increased regulation? These are just a few of the ambiguous risks that some companies have ignored.

The biggest threat to business success today is this range of ambiguous risks. Traditional imperfect practices will no longer stand the scrutiny from customers, channel partners or potential new government regulation. The bottom line is customers do not like surprises. They do not like "gotchas" or deceptions. Nobody likes being trapped into conditions beyond the expected.

Many leasing companies are in denial regarding such imperfect practices. They are necessary and they

are legal. But, in an evolving marketplace, companies in denial usually do poorly. Fortunately, good practices drive out bad ones over time. Several leading companies already are at work reviewing every practice and document that touches the customer to make them

more principled and reduce ambiguous risk. These companies want to make money from managing the imperfections of their customers' worlds, not from applying imperfect principles that can no longer be justified.

The Alta Group regularly works with lessors to help them look inward and evaluate their business practices in terms of the market and their objectives. When the leaders of companies step back and examine the assumptions on which they build their business practices, their business objectives become clearer and a better business model results. At a time when companies are in search of innovation, perfect principles might just be the answer – unless one is in denial.

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