

ELT

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Technology:



THINKING BIG

Latin American
IT Leasing

2003 Software
Buyer's Guide



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Thinking BIG

*Technology can fuel business transformation,
but innovation starts with great ideas.*

By Denis Stypulkoski

What is the future of leasing? How must it evolve to survive and to flourish? What is the role of information technology in delivering a better lease product?

These questions are crucial to the direction of the industry, and answering them demands all the intellectual capital we can invest. Economic and market conditions are demanding that the leasing industry transform itself in order to be profitable and vibrant in the future. The leasing company, bound by regulatory and legal requirements, may not appear to be a target for transformation, yet transformation is both what the market demands and rewards.

In the heady days of the “tech bubble,” many lessors, acting on the “get there first” mentality of the time, raced to take their business online, or to automate as many of their processes as possible. In the end, the investment in IT was really just a “tweaking” of the business-as-usual operations model that had been in place for years.



But when information technology is fully engaged to support a truly innovative business model, real transformation can follow. Often, what's outstanding in IT success stories isn't the technology itself, but its application. When a company's chief executive, information officer, and operations officer commit to re-thinking their approach to business and IT, the results can be surprisingly simple and startlingly powerful.

To find instances of these results, and to begin thinking seriously about transformation, it's helpful—perhaps even essential—to broaden the gaze and look beyond leasing.

Old Businesses, New Approaches

Some of the most exciting examples of successful IT application are companies that have had the audacity to leave their industry's givens behind and develop an entirely new approach to their market.

CIO magazine's annual Enterprise Value Awards honors companies that have shown uncommon insight into their value proposition, the courage to examine their business model, and the commitment to manage change.

One winner, Health Decisions, is a small company that dared to challenge the slow-moving, inefficient manual process of conducting



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human clinical trials for pharmaceutical companies and government organizations. *CIO* magazine says, "Health Decisions won an Enterprise Value Award this year because it is using technology to change the way pharmaceutical testing is done, not just retrofitting an old process with new parts." [*CIO*, February 1, 2003]. Health Decisions has grabbed the lead in a stagnant industry where being first to market is critical.

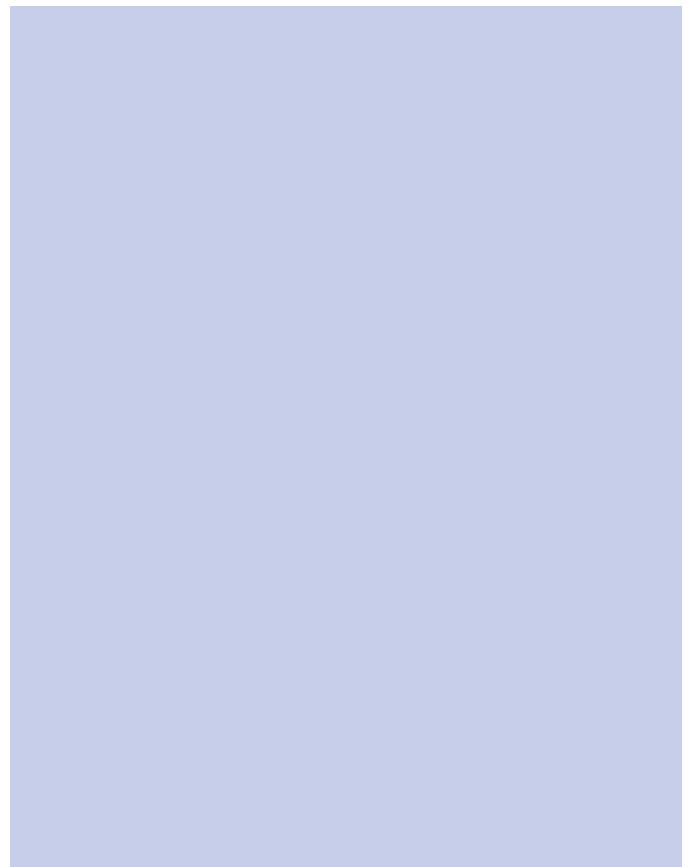
According to *CIO*, most of the information used and analyzed in clinical trials is gathered by hand on paper in doctors' offices and then entered manually into computers and reviewed for mistakes or discrepancies, a process that generates queries, which in turn injects additional steps and time into the data-gathering phase, delaying the data analysis.

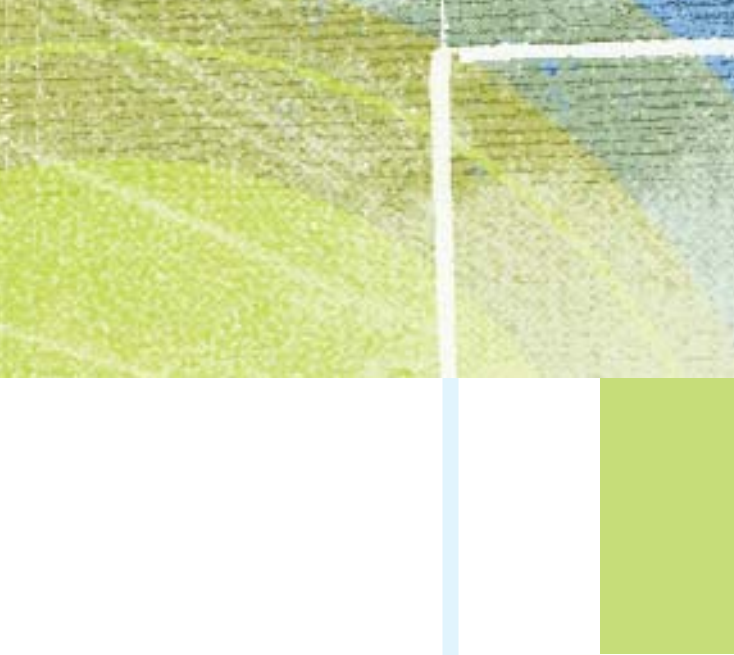
CIO reports that Health Decisions has clinicians in the doctors' offices gather information using mark-up forms (similar to those used in academic standardized tests), and then Health Decisions uses an Optical Mark Reader (OMR) to read the data. Unlike other clinical research companies that applied Web technology to improve only the data collection process, Health Decisions set a new standard for data analysis and management. No longer do clerks visually review each information sheet looking for discrepancies. Instead, data collected in Health Decisions' system is fed through validation, query generation, and resolution modules. The

system checks for missing fields, logic errors, and answers that violate the study's protocol. Queries are automatically sent by e-mail within a day of receiving the form and can be quickly resolved. Reducing query time from weeks or months to days shortens the path to data analysis—and the critical decision on whether a drug is viable and can be brought to market. The result is

an order of magnitude gain—studies that might have taken seven years to complete can be done in four, *CIO* says.

CIO reports that not only does this speed time to market, but the lower cost of clinical trials opens up the possibility that drugs that benefit a smaller pool of potential users with rare conditions may become economically feasible to test and sell. Health Decisions' applica-





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tion of IT may not only revolutionize pharmaceutical testing but healthcare for many as well.

Health Decisions' success in competing with the giants in its industry was powered by the company's willingness to challenge accepted processes. The same can be said for JetBlue Airways. JetBlue wanted to change the way people felt about flying by making it a positive experience, and it boldly reinvented the airline business model with a fresh application of IT. JetBlue developed an innovative "home reservations" system that sets a new standard for cost and efficiency. JetBlue uses a voice and data communications system from Avaya and employs more than 500 home-based agents to handle telephone reservations. Using Voice Over Internet Protocol (VOIP) telephony, JetBlue created a virtual call center.

Phone calls into its toll-free reservation number are seamlessly routed over VOIP to the next available agent sitting in a home office. That agent has real-time access to both JetBlue's reservation system and the voice call over the single broadband connection. With low-cost operations at the core of its ability to offer low-cost airfare, JetBlue has avoided the expense of a large-scale call center operation while offering its agents the coveted benefit of telecommuting from home. Its investment in IT lowers costs while clearly enabling its core values of high quality, customer loyalty, and low fares.

Lesson for Lessors

What can lessors learn from companies like JetBlue and Health Decisions? That it's not enough to settle for IT that delivers incremental improvements in efficiency by automating a traditional business model. Lessors need to consider new approaches to the marketplace and new ways of generating revenue or improving customer service, enabled by their IT initiatives.

Consider IBM Global Financing, which won an ELA Business Technology Solutions Award last year for its global e-business model. IBM has implemented comprehensive enterprise systems and processes that integrate and facilitate commerce, communication and data sharing with the company's customers, suppliers, partners, and employees. One component of this e-business on demand model supports IBM's Global Asset Recovery Services business (GARS). The GARS business manages on-lease IT assets as well as excess and surplus inventory for IBM and other IT companies, including the receipt, refurbishing, dismantling, resale and scrap of those assets. This IBM business has an innovative approach to reverse logistics and residual-value risk management. Using techniques copied from the process and manufacturing industries, IBM transformed the end-of-lease returns process into a core business

and a competitive differentiator.

The GARS ERP system tracks whole assets and their components, using information based on the bill of materials generated at the time of production or sale. Knowing when assets will come off lease gives IBM the opportunity to optimize the reuse or resale value of those assets or their parts based on marketplace supply and demand. To extend this capability, IBM implemented a private trading exchange, which is a Web sales portal directed to business customers around the world. It includes a Catalog Store of ready-made products, a Custom Order Store, which permits users to search the used equipment and parts inventory for specific machines or upgrades, and a Web auction site. Customers using the trading exchange can check product availability, initiate purchases and track orders. Through this innovative use of IT and supporting processes, IBM has reduced sales cycle times for high-volume products, reduced inventory turnover and administrative costs, and improved customer satisfaction, all factors leading to greater recovery of asset values.

Like IBM's experience with GARS, ELA's joint venture with Tabitha Software provides ELA members with a Web-based asset management technology platform that allows them to set up private trading exchanges. The centrally

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managed Web service has the potential to do much more than merely increase the efficiency of asset management operations and processes. If the data the ELA system gathers over time on equipment values can be collected and analyzed without compromising its proprietary nature, ELA would have a significant pool of asset-based residual value information that could be harnessed by and provided to its members,

in a fashion similar to the way credit data services are provided. There's a growing demand for better asset management tools, and ELA is wise to focus on meeting this need for its members and their customers.

Focusing on the needs of customers is a common thread tying together many IT success stories. The best IT solutions delivering business value enhance the customer's experience, increase satis-

faction and loyalty, and deliver added value to the marketplace, not just added efficiency for the company.

Wilmington Trust Company, a global financial services organization, uses a Web-based service called "Cyberclosing"[™] to facilitate the closing of structured finance transactions. It creates a secure repository for documents and tracks the transaction's history while eliminating the high-cost



and hassle of paper closings. Cyberclosing was developed using “eRoom” Technology from Documentum to build a digital workplace where all parties to a transaction can collaborate in real-time—reviewing documents, negotiating, coming to agreement, and closing. All documents, including those in process as well as those that have been signed, are available to authorized viewers along with a history of their revision. After a deal is closed, the eRoom remains available for posting reports and notices to investors as well as serving as an archive of transaction details.

While the cost savings in terms of eliminating travel and document delivery costs are significant, the added value here is in the technology’s responsiveness to the demands of the customer—reducing the stress of handling complex transactions.

Likewise, the Progressive group of insurance companies has made its mark through ongoing innovation in customer service. At its Web site, Progressive posts its rates as well as those of its competitors on a real-time ticker tape and allows users to select and buy auto insurance and make payments or policy changes online. Progressive’s user-friendly site (progressive.com) has been rated number one overall on the Gomez Scorecard for seven consecutive ratings periods—the only financial services company to achieve this distinction. Gomez Advisors, which specializes in evaluat-

ing Internet-based business initiatives, ranked Progressive number one for ease of use and relationship services.

Last year Progressive won the Web Marketing Association’s WebAward for Best Insurance Website based on innovation, navigation, interactivity, content, and ease of use. *CIO* magazine also honored Progressive in 2002 for its positive business performance through innovation. The company is known not only for its Web site, which is geared to serving customers and prospects, but also its IT initiatives, which give its independent agents access to tools that reduce time and paper shuffling. The end result? From 2001 to 2002 when most companies were grappling with the far-reaching affects of the recession, Progressive rose 23 places in the Fortune 500 rankings.

What can the leasing industry learn from the experiences of Progressive and Wilmington Trust Company? That despite the legal, accounting, and regulatory restrictions binding the financial services sector, there’s room for innovation. The secret lies not necessarily in engaging the hottest technology but in delivering old-fashioned customer service and business value. For years the leasing industry has focused its IT efforts on automating front-end and back-end operations—now the time is ripe for lessors to re-evaluate their entire business value proposition and consider how technology can support a business transformation.

The Keys to Greatness

How can a leasing company transform from a good business to a great one? Jim Collins spent five years with a team of researchers studying this topic, and authored the book, “Good to Great: Why Some Companies Make the Leap... And Others Don’t” (HarperBusiness, 2001). As Collins writes in *Fast Company* magazine:

“Companies that make the change from good to great have no name for their transformation—and absolutely no program. They neither rant nor rave about a crisis—and they don’t manufacture one where none exists. They don’t ‘motivate’ people—their people are self-motivated. There’s no evidence of a connection between money and change mastery. And fear doesn’t drive change—but it does perpetuate mediocrity. Nor can acquisitions provide a stimulus for greatness: Two mediocrities never make one great company. Technology is certainly important—but it comes into play only after change has already begun. And as for the final myth, dramatic results do not come from dramatic process—not if you want them to last, anyway. A serious revolution, one that feels like a revolution to those going through it, is highly unlikely to bring about a sustainable leap from being good to being great.” [*Fast Company*, issue 51, page 90]

In his *Fast Company* article, Collins notes that in every transformation from good to great, there was no miracle moment. Instead, there was “a



down-to-earth, pragmatic, committed-to-excellence process—a framework—that kept each company, its leaders, and its people on track for the long haul.”

Establishing Momentum

Leasing's future depends on our ability to visualize a new approach, to engage the best and brightest minds in debate, clarify our mission, and apply our substantial energies and appropriate technologies to the task of re-designing the way we approach business. Collins says change occurs over time and is more an evolution than a revolution. It takes tremendous effort to get a stationary object moving, but once in motion the object's energy builds momentum and gathers speed. Companies in our industry can make the leap from good to great if we put our collective shoulder to the wheel to engage changes that will benefit us all. **ELT**

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