

# How to improve your leasing process by defining business workflows



In this whitepaper, I will share some real-life experience in building workflows for service-centric organizations (such as leasing and asset-finance companies) and provide some practical insights.

*First we should clarify the term "Workflow" and differentiate it from the related concept "Business Process". Both Workflows and Business Processes are typically visualized as a flowchart with entry points or triggers, a sequence of activities and decision points, outputs and exit points. However, "business process" is a wider term, while a "workflow" is a technique used to automate and facilitate a business process.*

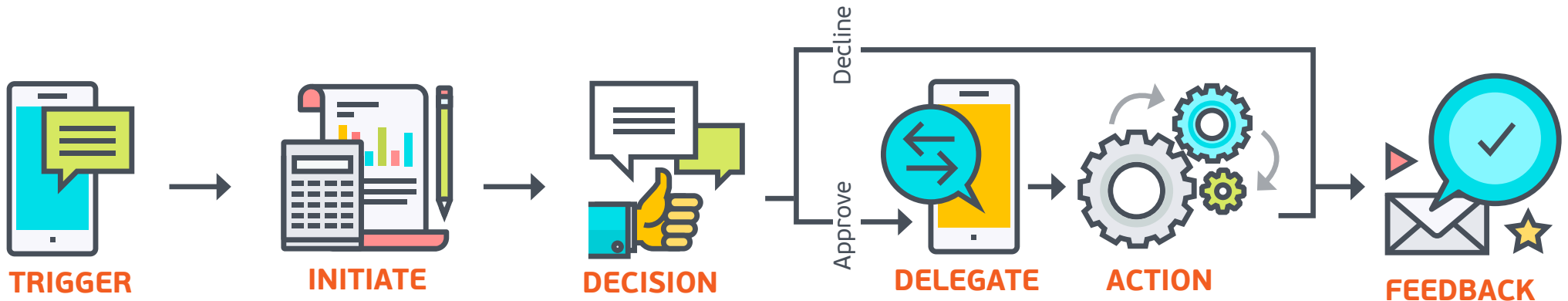
In this whitepaper, I will focus on people-centric workflows, because they are more interesting compared to pure software-centric workflows. A sequence of actions that is fully automated and done by software does not require daily attention, and there is little space for improvement.

Let's assume that your organization already has

- Well-defined business processes,
- Software to facilitate the process, and which has workflow management capabilities,
- People involved in the process.

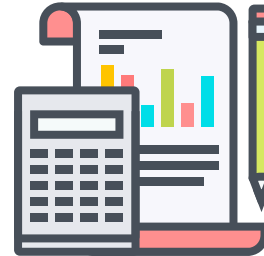
## Building Workflow Blocks

Let's analyse each type of workflow building block.



**TRIGGER** – an event, either external or internal, human-driven or software-driven, which requires a complex response. Examples of triggers can be:

- Customer request for loan variation (external trigger, the response is complex – credit approval, multiple actions, multiple interactions with the customer);
- Marketing initiative to launch a promotional program (human-driven internal trigger, requires multiple actions and approvals by multiple departments);
- Credit application submitted via a web portal (software-driven trigger).

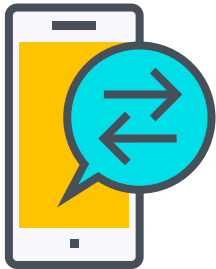


**INITIATE** – creation of a workflow instance, where an Initiator (officer or software process) must determine what type of workflow is required (i.e. selects the workflow template), describe the action required and provide input information for the next steps. For example:

- Identify the customer on a phone call, link the workflow to the customer record, log the customer request;
- Prepare a promotional program brief and launch the approval workflow;
- A software function initiates the credit assessment workflow.

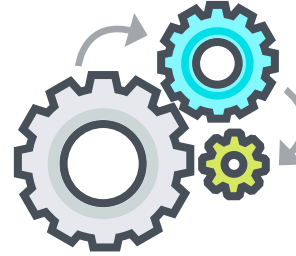


**DECISION** – you always have a decision point when there are several possible next steps. A typical example is approval of the action. Remember, we are talking about human decision points only. Decisions are often limited by business rules (preferably – controlled by the system). For example, a particular officer can approve credit applications up to certain amount. In real life, before a decision point, you may have actions to collect and evaluate information, for example – a credit assistant calls a credit bureau to do reference checks, to verify the credit application for accuracy and then forwards it for approval.



**DELEGATE** – directing a workflow to a particular person, i.e. assigning a task to an officer. Depending on the size and structure of your organization, there may be several scenarios:

- a) Officers proactively pick tasks from a team inbox (e.g. an approval task flows into the Credit Team pool and officers take ownership of those tasks in sequence). This way you can achieve self-balancing of the workload (subject to officer incentives).
- b) The Manager receives all team tasks and delegates them to officers.



**ACTION** – carrying out a required task, using input from previous workflow steps, for example:

- a) once a credit application is approved (that is an input) – send out an approval letter to the customer and a credit guarantee letter to the dealer (that is an action)
- b) When a customer requests a loan variation (new conditions defined and approved) – then update data in the system and prepare the contract annex (i.e. adjudicate the loan variation).
- c) When a promotional program is approved internally – then activate the program in the system and distribute information to dealers.



**FEEDBACK** – inform the Initiator of the workflow when the requested action is completed (or declined). For example – need to call back to the customer.

In real life, several more types of action must be included in the workflow design (not shown on the picture, just for simplicity):

The officer may need to withdraw the workflow if circumstances have changed and the workflow is no longer relevant. There are scenarios when the system must cancel the workflow automatically, for example: if the customer withdraws the credit application the assessment, workflows must be cancelled.

The officer may need to refer back to the Owner of the previous step (e.g. Initiator, Approver, Delegator) if the officer cannot complete the task because of missing input details. You can refer back from any point in the workflow.

## Workflow Template, Instance and Owner

Now we need to distinguish two concepts:

- **WORKFLOW TEMPLATE (or just Template)** – the definition of the workflow steps, i.e. actions and decision points, and possible sequences of steps. In real life, a leasing and asset-finance company would have 10 to 40 different Templates.
- **WORKFLOW INSTANCE (or just Workflow)** – sequence of steps, as defined in the Template, running on a particular entity (e.g. customer, lease contract, financing program).

In the Template you define who is responsible for a particular action. For example, you may say:

- a) Retail credit to be approved by the Credit Team,
- b) Instalment variations can be actioned by the Collections Team.

At every point in time, a workflow must have an Owner, and the workflow instance sits in the Owner's workbasket.

The initial Owner is the Initiator (the one who starts the workflow). As the workflow flows to the next step (possible next steps defined in the Template), the system knows who the next Owner is, so the workflow changes its Owner. The Owner can be particular person or a team, but I will analyse this aspect later.



## Workflow Management Software

Once you have defined your business workflows, the next major task is to configure them accordingly in your software system. I want to emphasize one point here – in the world of software, understanding of the word “workflow” may vary a lot. Many systems claiming to “fully support workflows” are actually pure software-centric “if-event-then-response” style functionalities, meant for data manipulation only, and have very limited capabilities for configuring people’s tasks. This is clearly evident in the newest Microsoft Dynamics NAV 2016 version – it includes a standard workflow function, but you can hardly configure sequences of people’s actions. And don’t confuse “notification” with workflow. If you tried to build workflows based on system notifications, your attempt would most likely fail, because notification is not enough.

Another major point about leasing and asset-finance software is its capability to integrate the workflow engine into your ERP, CRM and other core systems. Workflows must run through all the systems and respect the constraints, business rules, and status gates configured in those systems.

Now I’m going to share the method of defining workflows and some insights on how workflows can help in business process improvements.



## 8 steps workflows definition technique

So, we have all the prerequisites – asset finance business process defined and capable lease accounting and administration software in place. Configuration of people workflows may look easy and not worth much of attention. However, before deciding that, one should ask themselves these questions:

- How to minimize possibility of human errors?
- How to make sure the task goes to the right position?
- What if the lease officer is not available at the moment and how the system will know that?
- How to make sure that workflows are consistent and will handle every exceptional situation?
- How to keep it simple?
- How to engage people in the process improvement?

Following workflow design techniques may help you to address these questions:

- 1) **Identify** tasks or **Actions**
- 2) **Identify** human **Decision Points**
- 3) **Arrange** people into **Teams**, per type of actions they can do or decisions they can take
- 4) **Map** tasks and decision points **to Teams** (not to individuals)
- 5) **Identify Triggers** for workflows. Can be either external or internal or system triggered.
- 6) **Workout** minimum set of **Workflow Templates**, with clear names, like “Request for loan variation”
- 7) Within the template, **define Workflow Steps** (i.e. possible actions and required decisions)
- 8) **Build step Transition Matrix**, i.e. for each step identify possible next steps. You can only transit to the next step if the output of the first step equals to the required input for the next step.

As you see, in this technique we don’t have words “substitute” or “manager” or “approver”. That’s because concept “if Albert is not available then Brian must substitute” will not work. More reliable way is to have Teams of minimum two persons, and direct workflows to the Team. Then either team leader shall distribute tasks to people, or team members would proactively take ownership of a task.



## How to deliver Workflow Tasks to people

Next consideration is how to deliver Workflow Tasks to people. Start with the question – what is your “first page”? Is it ERP system, CRM system, or Email? Deliver tasks to the user’s “first page”. In some cases tasks are instant, in some cases tasks may queue. Consider sorting of task list, so the person would handle highest priority tasks first. Sorting can be smart, depending on the Officer, for example – Senior Collection Officer has higher exposure tasks on top of the list, while junior officer has lower exposure tasks on top. Or, “my region” customers come first and other regions follow, so when I am done with “my” North customers, I can help to empty the queue of South customer requests.

It is an advantage if a person can act in multiple positions (i.e. to be member of several teams if segregation of duties allow). “Switcher” persons are good for load balancing. For example, leasing company has task queue for “Credit Team” where common tasks are credit application received for assessment and has another queue – “Customer Service Team” where diverse variation requests come in. Flow of incoming tasks are not even, so workload may vary. To balance that, Switcher person (member of both teams) must follow rule like this “if Credit queue is above 50 tasks, then switch from Service to Credit Team. When Credit queue falls below 30 – switch back to the Service Team”. Of course it would take some time to work-out optimal parameters for the rule.



## 3 indicators to measure your business process efficiency using workflows

In order to continuously improve your business process, you need to measure it and here workflow automation can help. Simple measures are:

**1) Length of queue** (in number of workflow tasks queuing for particular team to handle)

**2) Number of steps processed.**

As workflow moves from one team to another, we should count workflow steps processed by a particular team – completed, or referred back to the sender for a reason. This is you will measure the team’s performance.

**3) Timing of underlying process.**

For example “Time to decision” (in minutes from credit application received until approved or declined), “Time to documentation” (from the time the Application is received till the Contract is signed). This measure is most relevant to the continuous process improvement.

## How to improve your business process?



You can set targets or SLA, for example “90% of small-ticket deals must be approved/declined within 1 business hour”.

Why not 100%? Because in real life exceptions happen, e.g. there might be a need to refer the credit application back to the introducer if it is incomplete. You have two parameters to measure this target – percentage of deals and SLA timing – so you have two ways for improvement:

- 1) see how to reduce number of refer-backs
- 2) see how to speed-up credit assessment and credit decision process.

Most effect you can get by simplifying people-centric workflows. People-centric workflows are interesting because this is area for improvement. The way to simplify your workflow – automate tasks and decisions as much as it is possible. Once you have smooth business process in place, facilitated by well-defined workflows, running and being measured – you are half way to automation (assuming, your systems are flexible enough, as custom development may be required).

From methodology perspective, in IT projects, “*evolution*” approach is often safer than “*big bang*” projects. This is especially true for decision systems, as exceptions happen in real life, and system may need to refer for human decision, so people-centric workflows still needed, ideally, in two cases:

- 1) To **handle exceptions of main process** (and you continue to measure workflows and reduce number of exceptions)
- 2) **For customer-facing tasks**, as you may choose to take advantage of verbal communication instead (or in addition to) automated letters.

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