

CHANGE-READY?

Despite our numerous achievements, human beings are naturally resistant to change. It often takes pain or fear to get us to move beyond what we have grown comfortable doing. This reticence plays out in our businesses as well. There, for example, we often hang onto rather than replace outdated technology even when it is impacting bottom-line productivity and costs. But, things are heating up. The pace and complexity of industry change is increasing. Keeping outdated systems up-to-date has become more costly than ever in terms of time and money. And, many enterprises have more than one system that needs maintaining. The good news is that technology has evolved to the point of being able to give companies a cost-effective way to replace those back-office systems and the move to this new paradigm can be less risky than before. A new generation of change-ready systems is poised to enable change-ready companies to compete on the latest, emerging frontiers.

NEW PROBLEMS OLD SYSTEMS NEVER IMAGINED

To be competitive, leasing companies are evolving their businesses to encompass equipment finance (loans and leases) and further, to equipment solutions (finance and asset management, internal or private label). With that evolution, comes additional complexity in the products offered, for example, and the intricacies of their management. Internal and centralized back-office operations are moving to decentralized models that leverage outsourced resources. To address these new pressures, many leasing companies are using outdated back-office systems that are limiting their agility to capitalize on new market opportunities.

THE TECHNOLOGY “WISH LIST”

Leasing companies want technology solutions that will help them meet head-on the new industry challenges they are facing. They are looking for agile, new software that reduces their total cost of ownership. They want to be able to easily convert from legacy systems to a truly global solution a system that can

handle multiple currencies, multiple languages, and multiple products. New solutions must enable both banks and captives to seize consolidation opportunities. That means being able to easily consolidate systems per sales channel and country as well as being able to consolidate all “lending” and hard asset management systems into one seamless solution. Front, back, and middle office systems need to work together to improve Customer Relationship Management and lower exposure. To pass the corporate IT test, any new solution must be cutting edge and easily integrate into existing IT environments. It must be powerful and highly scalable to quickly accommodate new products or markets. It should be Web-based so that brokers, vendors, analysts, and customer service representatives can do business anywhere and leverage web services opportunities. Perhaps most importantly, the cost of making incremental changes to the system must fall within the company’s goals for its bottom line. Asset finance companies require a solution that enables their business instead of limiting their options.

WHY IT HASN’T HAPPENED BEFORE

Despite widespread changes in leasing industry requirements, we haven’t seen many new technology solutions for addressing them. The reason is twofold: a lack of research and development investment in the banking software industry; and, a lack of appetite for addressing these challenges by banks and captives. Why the lack of R&D by software companies? Most vendors in the banking software business are well-established in the niche with legacy offerings that are well over 20 years old. Investment in enhancing, upgrading and maintaining these solutions is significant even when shared across a considerable customer base. To rewrite and deliver a new-generation product requires a strategic commitment of resources that risks erosion of the current customer base and suspension of new account sales. In addition, many privately-held companies haven’t been incented to make the investment due to lack of competition.

Alternative gestation might have come through numerous dot.net start-ups and low-cost software providers. Many dot.net entrepreneurs, however, found that capturing the complexities of the asset finance industry drained resources more quickly than anticipated. Low-cost software business models weren't designed to deliver a comprehensive front-to-back solution for addressing global asset finance, they were tailor-made for a local implementation instead. On the demand side, banks and captives didn't see pushing for new solutions as a priority. Many were making good margins and asset finance was a small, low margin, mature industry when compared with the investment banking side of the business. Many senior managers were risk-averse to new IT projects, having scars from a previous generation of "new systems." As for taking advantage of the consolidation opportunities, local managers were hesitant to give up territory for less than significant cost savings. Finally, the push for global technology solutions waned in the face of numerous, below-expectation results from large ERP projects.

THINGS ARE HAPPENING NOW

A combination of factors is converging to change the game for asset finance companies. As these enterprises go global, the number of systems managing multiple products in multiple countries explodes. So do the costs of maintaining them. In addition, market conditions are driving the need for urgent efficiency improvements in all aspects of the business. On the technology side, component-based, object-oriented design is no longer a vision. Niche software vendors, who early on made the investment in new generation solutions, have clients who are seeing results now. Companies today are using one, highly-configurable solution for managing all types of loans, leases, and asset management processes. Global operations are supporting local languages, currencies, accounting and reporting requirements using a single database. Improvements in industry-standard software are making scalability and anywhere accessibility a cost-effective reality. Web 2.0 is enabling companies to speed new-system adoption and productivity with user-friendly and fully-tailored user interfaces for each distribution network. Companies are deploying

enterprise-wide asset finance software without client desktop installation.

READY FOR CHANGE

This technology generation's ability to quickly reflect business changes is unprecedented. Changes that took months or years to be incorporated in legacy systems are ready instead in days or weeks. These highly-flexible systems enable consideration of a new implementation approach that lowers disruption and risk. It's now possible to slowly untangle the web of interfaces and side applications that have grown around legacy applications. Companies have the option of starting with a set of loan or leases that are being handled outside of the legacy application. They can implement that set on hardware and software that already exists in their IT infrastructure, build interfaces to GL and regulatory reporting systems, for example, and then start bringing the remaining portfolios over to the new system. The technology is here to meet the raised bar of industry expectation. Get ready for new possibilities in global asset finance.

AUTHOR BIO

Emmanuel Gillet is president of CASSIOPAE. After beginning his career in 1994 at Andersen Consulting's Paris office, Gillet joined ORFI, where he served as managing director from 2001-05. In 2005, Emmanuel became Managing Director/CEO of EnableUs Europe and successfully expanded EnableUs' customer pool, staff, and revenue exceeding 10 million Euros in 2005. He spearheaded the development of Cassiopae, the highly-configurable asset finance software whose name the company now bears.



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