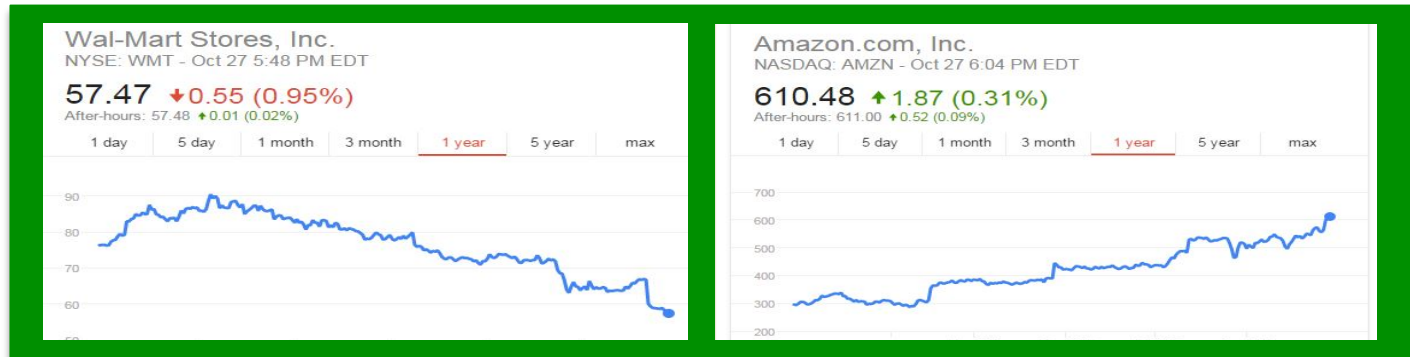# Digital Process Management and Transformation Disruption by Building Client Focused Digital Operating Models

Neal Oswald CPA, CFA, CMC

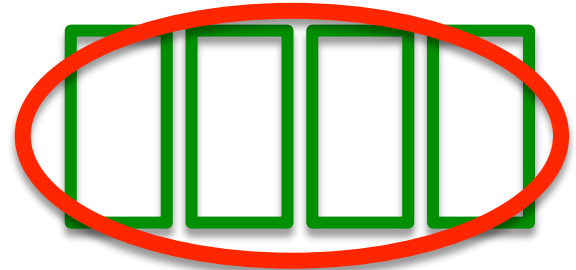Co-Founder Wanilah Advisors Inc.

Senior Advisor to AlixPartners.

Wanilah
A D V I S O R S

Three Paradigm Shifts

1 — Market Based

Wal-Mart Stores, Inc.
NYSE: WMT - Oct 27 5:48 PM EDT
57.47 ↓0.55 (0.95%)
After-hours: 57.48 ↑0.01 (0.02%)
1 day | 5 day | 1 month | 3 month | 1 year | 5 year | max

Amazon.com, Inc.
NASDAQ: AMZN - Oct 27 6:04 PM EDT
610.48 ↑1.87 (0.31%)
After-hours: 611.00 ↑0.52 (0.09%)
1 day | 5 day | 1 month | 3 month | 1 year | 5 year | max

2 — Execution Based
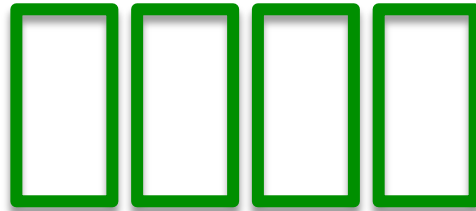
3 — Design Not Reengineer
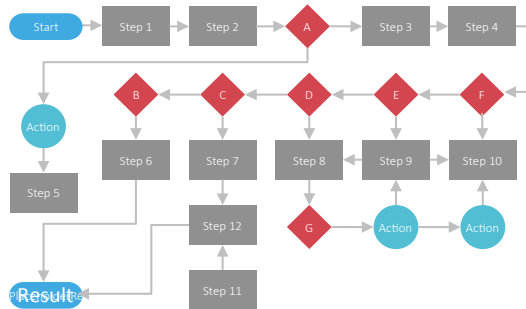
Inline Client Experience Measurement

Wanilah A D V I S O R S

Paradigm Shift 1 - A market based shift where traditional businesses are being or will be disrupted; Leaders…

Deeply understand clients' needs and design processes around client journeys and desired experiences

Accomplish speed and iteration in execution to get ahead and win

Adopt a restructuring/transformation and End-to-End mindset with leadership, vision and persistence to deal with organizational trauma.

Wanilah
A D V I S O R S

Market Based Paradigm Shift:
Measure and Apply Analytics To Deeply Understand Clients

- Leaders **measure segment performance, value, interactions and operational journey** execution.

- Leaders **measure employee performance** and experience from a client perspective.

- Leaders connect client profiles and insight to **process based interactions, triggers and patterns.**

- Companies who invest heavily in **advanced analytics outperform** the S&P 500 by an avg. of 64%[1].

Measure Client Interactions – To Deeply Understand Clients and Design For Them

Wanilah ADVISORS

Analytics and Client Insights Lead the Transformation

Inline Operational Client Experience Measurement and Insight

Truth Counts

Use real data to create insights.

Blend and Relate Many Sources
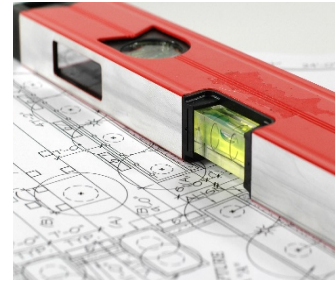
Measure end to end and top to bottom.

Iterate The Results

Iterate the development and keep upgrading the value of the insight.
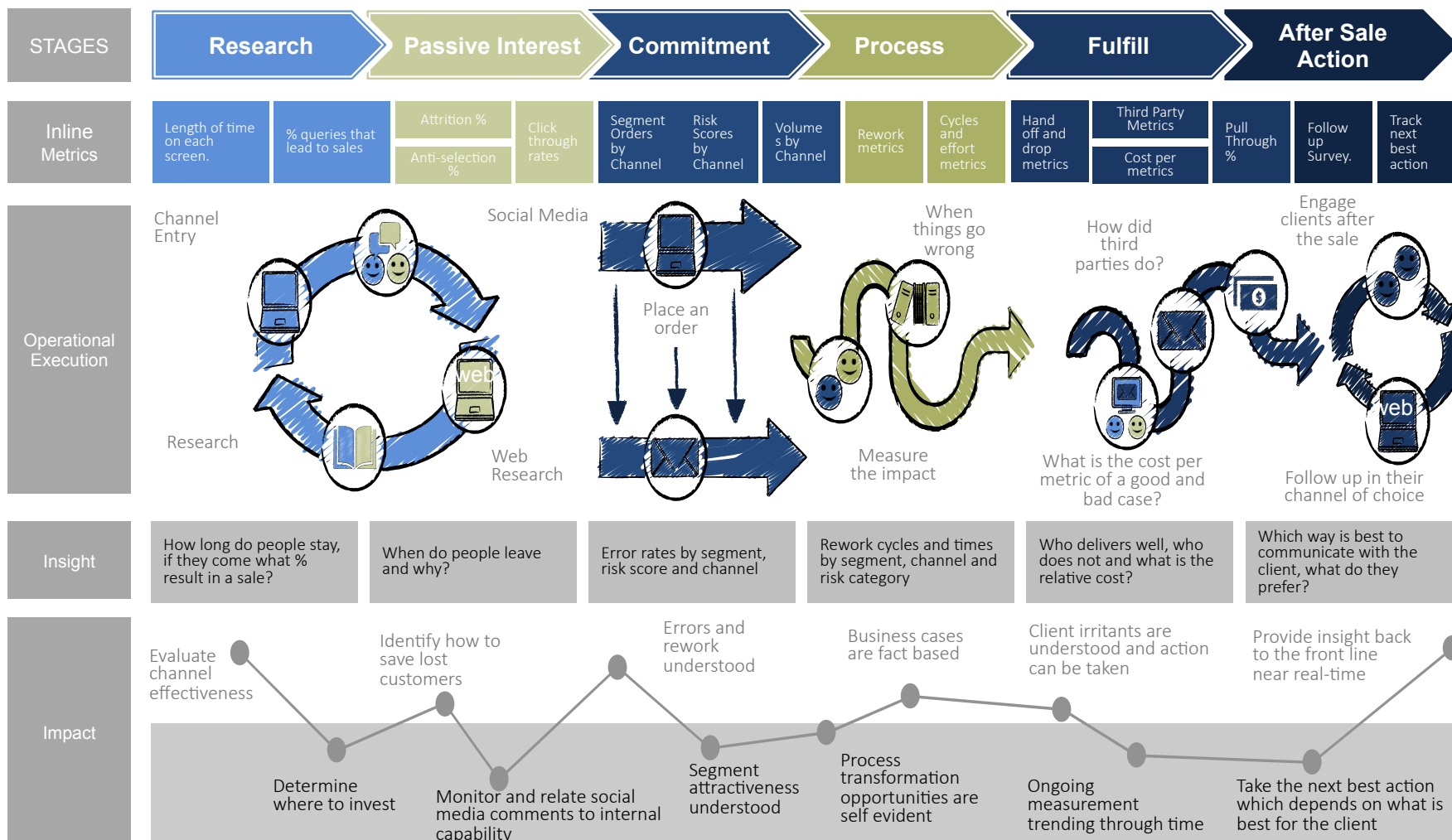
Qualitative

Relate conversations and surveys with customers to the operational inline measures.

Quantitative

Use data and insight to change the discussion. No feelings or impressions permitted – what did the client actually experience?

Wanilah
ADVISORS

Digital Process Measurement and Management: Inline Operational Client Experience Measurement

STAGES	Research	Passive Interest	Commitment	Process	Fulfill	After Sale Action

Inline Metrics

Length of time on each screen.	% queries that lead to sales	Attrition % / Anti-selection %	Click through rates	Segment Orders by Channel	Risk Scores by Channel	Volumes by Channel	Rework metrics	Cycles and effort metrics	Hand off and drop metrics	Third Party Metrics / Cost per metrics	Pull Through %	Follow up Survey.	Track next best action

Operational Execution

Channel Entry — Social Media — Research — Web Research

Place an order

When things go wrong — Measure the impact

How did third parties do? — What is the cost per metric of a good and bad case?

Engage clients after the sale — Follow up in their channel of choice

Insight

How long do people stay, if they come what % result in a sale?	When do people leave and why?	Error rates by segment, risk score and channel	Rework cycles and times by segment, channel and risk category	Who delivers well, who does not and what is the relative cost?	Which way is best to communicate with the client, what do they prefer?

Impact

Evaluate channel effectiveness

Identify how to save lost customers

Errors and rework understood

Business cases are fact based

Client irritants are understood and action can be taken

Provide insight back to the front line near real-time

Determine where to invest

Monitor and relate social media comments to internal capability

Segment attractiveness understood

Process transformation opportunities are self evident

Ongoing measurement trending through time

Take the next best action which depends on what is best for the client

Wanilah ADVISORS

Paradigm Shift 2 - An execution based shift where an outside in, digital design and fundamental rethink of business process is required while executing at speed; Successful execution requires…

Thoughtful redesign around the ETE client journey, across functional groups, from front to back

Digital capture of operational data to create transparency, change the dialogue and drive the change,

Deliberate use of analytics, metrics and insight to identify opportunities and measure inline client experience and ETE operational performance

Wanilah
A D V I S O R S

Execution Based Paradigm Shift
Outside in, Cross Functional With Transformational Intensity

- Create **joint ETE teams** combining business, IT, CEX, and sales disciplines.

- Create an **aligned and syndicated cross functional business vision** with transition stages.

- Develop transformational **specialist skills** and focus them ETE to change the dialogue and drive the change

- Companies with **stronger transformational intensity** are more profitable, have higher market valuations than those that don't (+26% and +12 % respectively)[1]

- Firms who have effective ETE process management grow 42% faster and are 28% more efficient[2]

Transformational Intensity Mindset - To Just Get It Done

Wanilah
ADVISORS

Digital Operational Insight to Measure The ETE Client Journey

STAGES	1. Research and Passive Interest	2. Commitment and Process	3.Fulfill	4. After Sale Follow up
STAGE GOAL	Know what customers did when and why	Know what front line employees did, and when and how processes performed	Know how operational processes and employees performed	Follow up, communicate and measure third parties

Client Experience and Journey Routes

Second Contact — Follow Up

Initial Contact

Compare Competitive Offers

Track Key Strokes and Points of Contact

Third party
Call
Walk in
Telephone
Online

Know Which Employees Did What and When

Understand Clients Better
- Understand segment performance
- Understand peer groups
- Analyze prospect performance

Frontline Metrics

Vary By Product Type

Vary by Channel

Inline Insight Into Actual Processes

ETE Process Management Metrics

Make Operating Model Improvements

Vary By Segment

Measure Third Parties

Assess Sale Model Effectiveness

Assess Training and Support Model

Understand Employee Performance Better
- Identify underperformers
- Identify top performers.

E Fulfillment

Paper Based Fulfillment

ETE Process Management Metrics

Records and Book of Record

Measure Third Parties and Service Providers

Look ETE To Identify Upstream Issues
- Change the dialogue
- Create transparency

Additional Sales

Follow up calls

DESCRIPTION

External Metrics

Lawyers

BPO Metrics

Credit Bureaus

Appraisal Services

Wanilah ADVISORS

Outside In, Thoughtful Rethink of Operating Processes

Simplify and Engage	Integrate and Automate	Real-time	Straight thru Design	Rapid and Transparent
Client Inquiry	**Data/Insight Acquisition**	**Decisioning**	**Digital Process Design, Automation, Verification, Use of Digital records**	**Fulfillment**
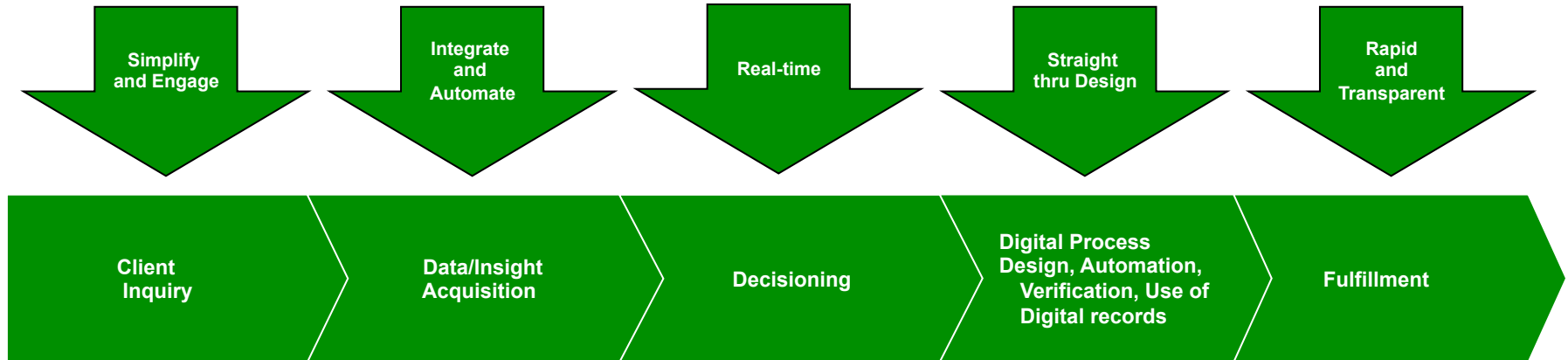
Client Inquiry
- Client input/engagement
- Interface for shopping and product evaluation
- Learning about the provider/vendor
- Learning about product options
- Registering consumer interest
- Encouraging and supporting follow-up
- "Viral" information flow

Data/Insight Acquisition
- Client data capture
- Pulling data from databases, applications and third party sources
- Data hygiene, quality and reconciliation
- Householding, client value measures
- Data staging for decision engines, pervasive use of business rules

Decisioning
- Input to key algorithms, business rules
- Algorithm and decision model design and testing
- Efficient processing
- Repository for scoring and indexing
- Feedback to employee/ consumer interfaces
- New, more predictive analytics that leverage vast data volumes

Digital Process Design, Automation, Verification, Use of Digital records
- Posting to accounting systems
- Origination through to fulfillment ETE
- Real-time running balances
- Automated event triggers
- Digital process management, measurement and dashboards
- Eliminate redundant checking and controls through good ETE process design

Fulfillment
- Immediate, continuous feedback to clients
- Integration into production and transaction systems, near real-time or real-time controls
- Real time interactive feedback to operational groups to take corrective action
- Updating of relevant operational, management, client and financial reporting

Thoughtful Redesign Around The Client Journey With a Focus Upon Delivering The Right ETE Client Experience

Wanilah ADVISORS

Paradigm Shift 3 - Engineer not Reengineer; Leaders in transformation and change…

Adopt iterative methods in process design focused on the client journey

Break the we/they thinking between technology and the business

Blend technology leadership and insight with business savvy street smarts

Wanilah
ADVISORS

Design Based Engineering:
A Strategy to Execution Gap Exists, Think End to End (ETE)

- **Operating Models Need to Transform** - Traditional process re-engineering adds limited value in the context of digital redesign, multichannel integration and transformation through ETE design

- **Process Tweaks Do Not Create Significant Improvements in Operational Leverage** - Significant growth, efficiency and effectiveness are delivered by process design and transformation strategy focused on the client and employee experience.

- **Culture and Behavioural Change is Difficult** - Analytics, insight and measurement change the dialogue to create, transparency and urgency required for transformational change.

- **Operational Control, Verification and Audit Approaches** change in the context of ETE design.

Execution Is Tough - It Takes Leadership, Vision and Persistence

Wanilah
A D V I S O R S

Engineer Not Reengineer: How to Approach the Problem

- Assess Digital and Client Centric Strategy
- Develop/refine strategy as needed

Business, Digital Strategy Assessment

Technology Enablement

Client Journey and Experience Design

End to End Process Design

Digital Process Transformation

- Assess target segments, client profitability and current gaps
- Design client journeys inline with your brand, desired client experience, client needs, preferences and expectations

- Integrate technology to deliver digital capabilities incl CRM, BPM, workflow, scanning & imaging, Client UI, content management, integrate with transactional systems

- Align business model and define capabilities required to deliver the target client experience
- Design ETE processes around target client journeys

Lever Analytical Insight To Quantify the Opportunity and Business Impact

Wanilah ADVISORS

Assess Change Requirements, Define Opportunities/Value and Priorities for Implementation

Rapid Assessment

Implement Quick-Wins
Near-Term Improvements

Longer-Term Performance Improvements (waves)

Inputs

- Business strategy, understand and focus on digital and client centric initiatives
- Existing plans and initiatives for digital process transformation
- Existing baseline performance and operational process metrics efficiency (unit cost, profitability) & effectiveness (quality, client feedback)
- Responses to Digital Readiness Assessment survey questionnaire
- Interviews and workshops with key stakeholders
- Existing technology architecture documents

Analysis

Business / Digital Strategy Assessment

Client Journey & Experience Assessment

Business Model & ETE Process Assessment

Enabling Technology Assessment
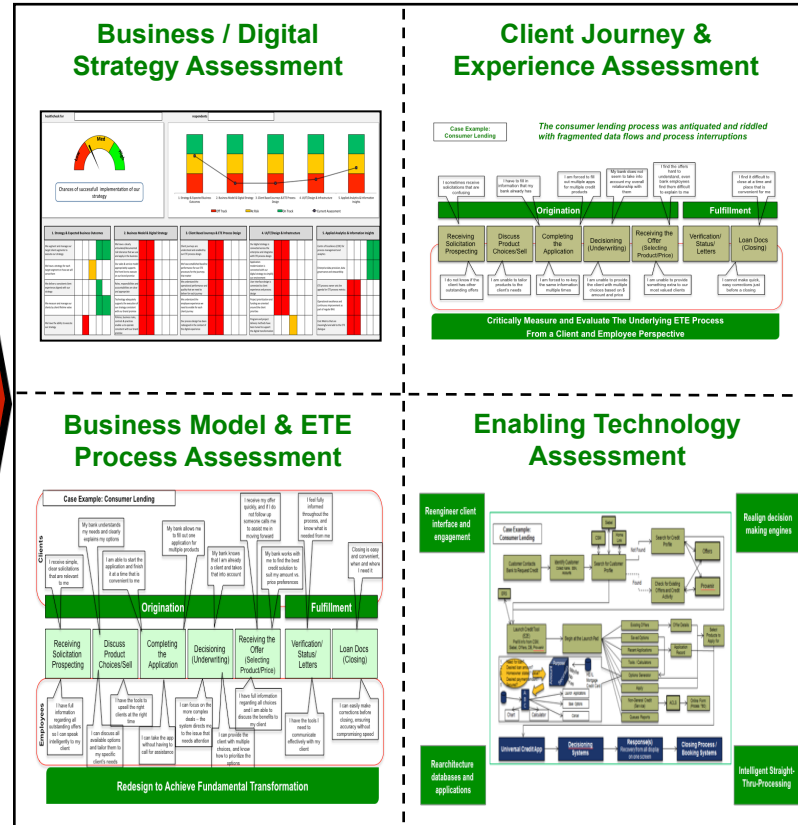
Outputs

- **Strategy, ETE process and digital capability assessment** – what has to change to create and sustain value?
  - Refinements to business strategy for digital
  - Design paradigm for client journeys
  - Alignment of processes that matter to deliver the required journeys
  - Analysis of key technology gaps
- **Opportunity identification and analysis –** what is the value?
  - **Quick wins**
  - **Value hypotheses** for major ETE processes
- **Roadmap and change management plan**

Wanilah ADVISORS

Focus on Four Major Assessment Areas

Business/Digital Strategy Assessment

- Review business strategy, competitive position and growth aspiration and assess how digital and client centricity fits within this strategy
- Conduct focused interviews and workshops based using the Digital Readiness Assessment tool
- Identify key gaps to realizing the strategic goals

Digital Readiness Strategy Assessment Tool

Client Journey and Experience Assessment

- Clarify/articulate customer service culture and desired client experience
- Determine target segments based on profitability/attractiveness and current state gaps
- Develop design parameters for future state customer journeys including selected examples

Client Journey and Experience Templates

Business Model and ETE Process Assessment

- Determine key ETE processes that matter to target segments to enable future state client journeys
- Prototype design of selected processes to support business case and roadmap development

Capabilities Map   *ETE Process Templates*
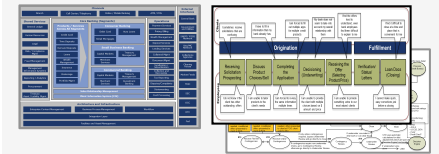
Assessment of Enabling Technologies

- Assess technology environment incl. CRM, BPM, workflow, scanning & imaging, customer UI, content management, and core systems
- Identify key gaps and determine priorities

Best-in-class Reference Architectures

Wanilah ADVISORS
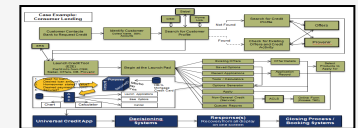
Critically Assess Digital Strategy Across Five Dimensions

Assessment Areas
1. Strategy and Expected Business Outcome
2. Business Model and Digital Strategy
3. Client Based Journeys and End to End (ETE) Process Based Design
4. UI/IT Design and Infrastructure
5. Applied Analytics and Insights
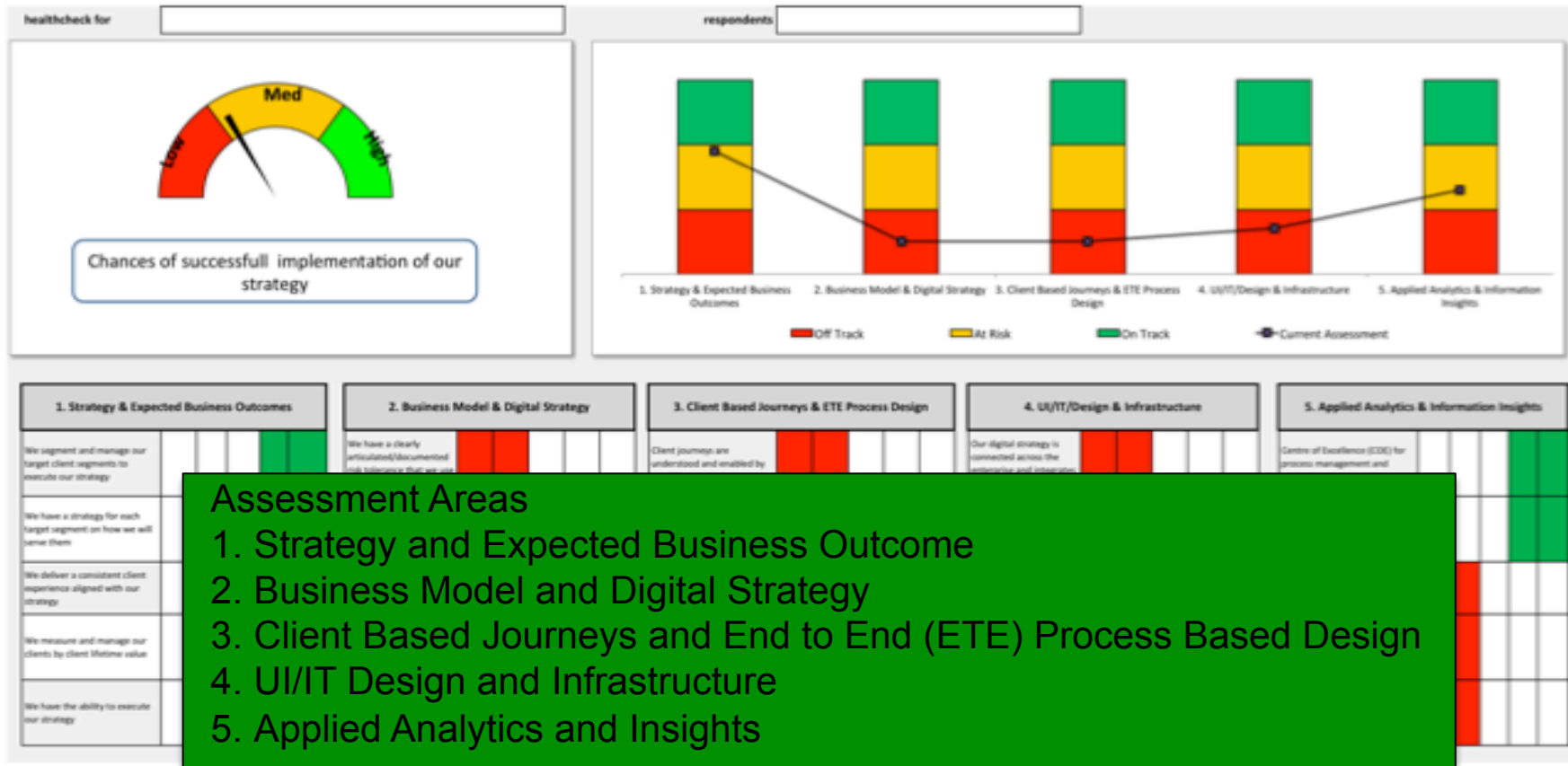
Work with Senior Executives to Assess and Align Digital Strategy

Measure ETE Process From a Client & Employee Perspective

Case Example: Consumer Lending

The consumer lending process was antiquated and riddled with fragmented data flows and process interruptions

Clients

- I sometimes receive solicitations that are confusing
- I have to fill in information that my bank already has
- I am forced to fill out multiple apps for multiple credit products
- My bank does not seem to take into account my overall relationship with them
- I find the offers hard to understand, even bank employees find them difficult to explain to me
- I find it difficult to close at a time and place that is convenient for me

Origination

Fulfillment

Receiving Solicitation Prospecting	Discuss Product Choices/Sell	Completing the Application	Decisioning (Underwriting)	Receiving the Offer (Selecting Product/Price)	Verification/ Status/ Letters	Loan Docs (Closing)

Employees

- I do not know if the client has other outstanding offers
- I am unable to tailor products to the client's needs
- I am forced to re-key the same information multiple times
- I am unable to provide the client with multiple choices based on $ amount and price
- I am unable to provide something extra to our most valued clients
- I cannot make quick, easy corrections just before a closing

Establish Inline Operational Measures of the Client and Employee Experience

Wanilah ADVISORS

17

Codify, Document and Critically Review Data Flows, Business Rules and Decisioning Logic

User enters Window and uses these processes during application process

If not data complete → **#5** Partial → Letter

See Credit Bureau Access sheet for more detail

#2 Application Duplicate Check → **#2** Pre-Fill → **#3** Determine if HDMA Reportable → **#4** Data Complete Validation

If data complete **#7** → Verify Age of Applicant → **#8** Internal Fraud Check Soundex, Internal Table → Pull Credit Bureau → Process Credit Bureau

- *Evaluate Contingency Data*
- *Evaluate Parameter Cutoffs (ALTV)*
- *Evaluate client Request*
- *Evaluate "Related Apps"*
- *Determine Conforming or Non-Conforming (LTV)*
- *Determine offers (request, cross-sell, upsell, counter) and corresponding treatment*

If not 18 or older ↓ Letter

Decision Engine will call this process if an appraisal is needed

If conforming and secured product or have old appraisal, else bypass and go to Decision Engine 2

Decision Engine (1)

#10 Determine Contingencies (2) ← Decision Engine (2) ← **#9** Determine Contingencies (1)

Determine Contingences will determine via a Vendor Control Table if application goes to AVM for an appraisal or if requires an non-AVM appraisal. If non-AVM appraisal needed, Determine Contingences will perform this function

- *Flood*
- *Title*
- *Title Insurance*
- *Other*

- *Appraisal*

#16 Doc Prep

- *Analyze Application and Credit Bureau*
- *Determine secured and unsecured risk ratings*
- *Evaluate Parameter Cutoffs (not LTV)*
- *Evaluate client Request*
- *Evaluate "Related Apps"*
- *Determine Conforming or Non-Conforming (based only on credit policy cutoffs)*

At this point, the application is in final approval stage and is ready to be scheduled for closing

If awaiting an appraisal

If other contingences needed, conditional offers presented to client at POS | If other contingences needed, conditional offers presented to client at POS | If no other contingences needed, offers presented to client at POS: client selects offer

If not awaiting an appraisal

#15 Close

#17 Review and Book

- *ERS*
- *ACLS*
- *UCCEL DDA*
- *Fund*
- *Credit Card?*

If underwriter can make a deal work or can clear fraud

U/W uses automatic calculations for debt adjustments which are part of Decision Engine functionality

#13 Receive File Net Contingencies ← **#12** Receive Online Contingencies

If only online contingencies required, bypass Underwriter Review and go directly to close

#20 Contingency Review → **#14** Underwriter Review → Decision Engine

If contingencies require non-underwriter review, go to Contingency Review, otherwise go directly to Underwriter Review

If underwriter turns down → Letter

Operational Controls, Compliance and Risk Will Change With ETE Design

Redesign and Re-Think Processes from a Client and Employee Perspective to Achieve a Fundamental Transformation

Case Example: Consumer Lending

Clients

- I receive simple, clear solicitations that are relevant to me
- My bank understands my needs and clearly explains my options
- I am able to start the application and finish it at a time that is convenient to me
- My bank allows me to fill out one application for multiple products
- My bank knows that I am already a client and takes that into account
- I receive my offer quickly, and if I do not follow up someone calls me to assist me in moving forward
- My bank works with me to find the best credit solution to suit my amount vs. price preferences
- I feel fully informed throughout the process, and know what is needed from me
- Closing is easy and convenient, when and where I need it

Origination   ## Fulfillment

| Receiving Solicitation Prospecting | Discuss Product Choices/Sell | Completing the Application | Decisioning (Underwriting) | Receiving the Offer (Selecting Product/Price) | Verification/ Status/ Letters | Loan Docs (Closing) |

Employees

- I have full information regarding all outstanding offers so I can speak intelligently to my client
- I can discuss all available options and tailor them to my specific client's needs
- I have the tools to upsell the right clients at the right time
- I can take the app without having to call for assistance
- I can focus on the more complex deals – the system directs me to the issue that needs attention
- I can provide the client with multiple choices, and know how to prioritize the options
- I have full information regarding all choices and I am able to discuss the benefits with my client
- I have the tools I need to communicate effectively with my client
- I can easily make corrections before closing, ensuring accuracy without compromising speed

Redesign to Achieve Fundamental Transformation and Create Operational Leverage

Wanilah ADVISORS

Determine Smart/Savvy/Rewarding Points of Transformation

Redesign client interfaces and engagement

Realign decision making engines
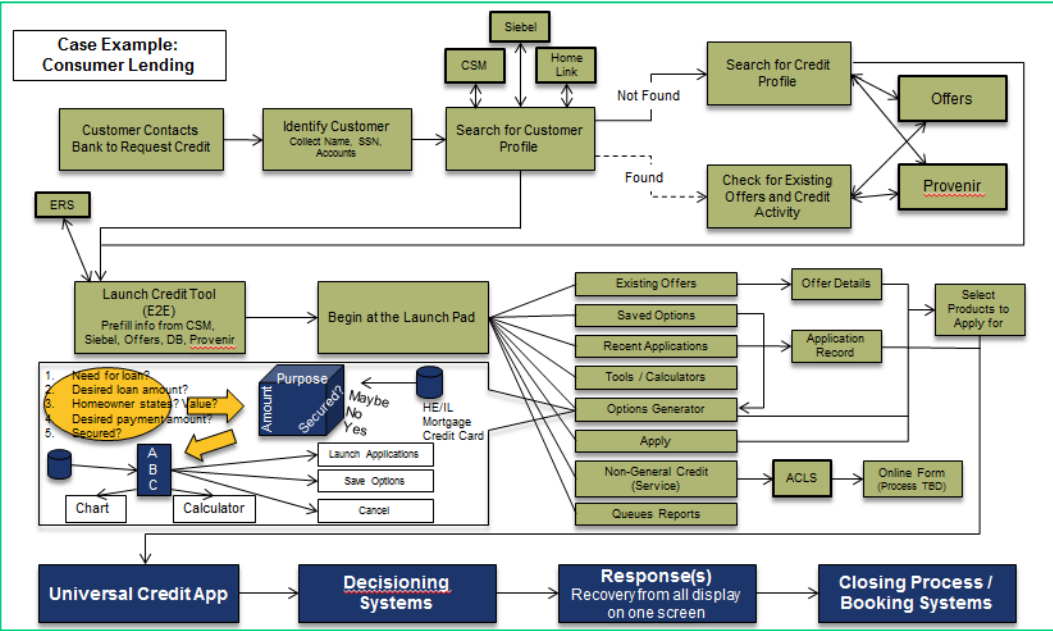
Rearchitecture databases and applications

Intelligent Straight-Thru-Processing

Update or Fix Enabling Technology

Digital Process Measurement, Management & Transformation

Apply Operational Analytics To Digitally Measure and Manage Processes to Create Insight to Change The Dialogue

Thoughtful Redesign Around The Client Journey With a Focus Upon Delivering The Right ETE Client Experience

Blend Technology Leadership with Pragmatic Business Savvy Street Smarts

Retain Clients, Grow Revenue and Protect the Core Through Digital Transformation

Create Operational Leverage

Wanilah
ADVISORS