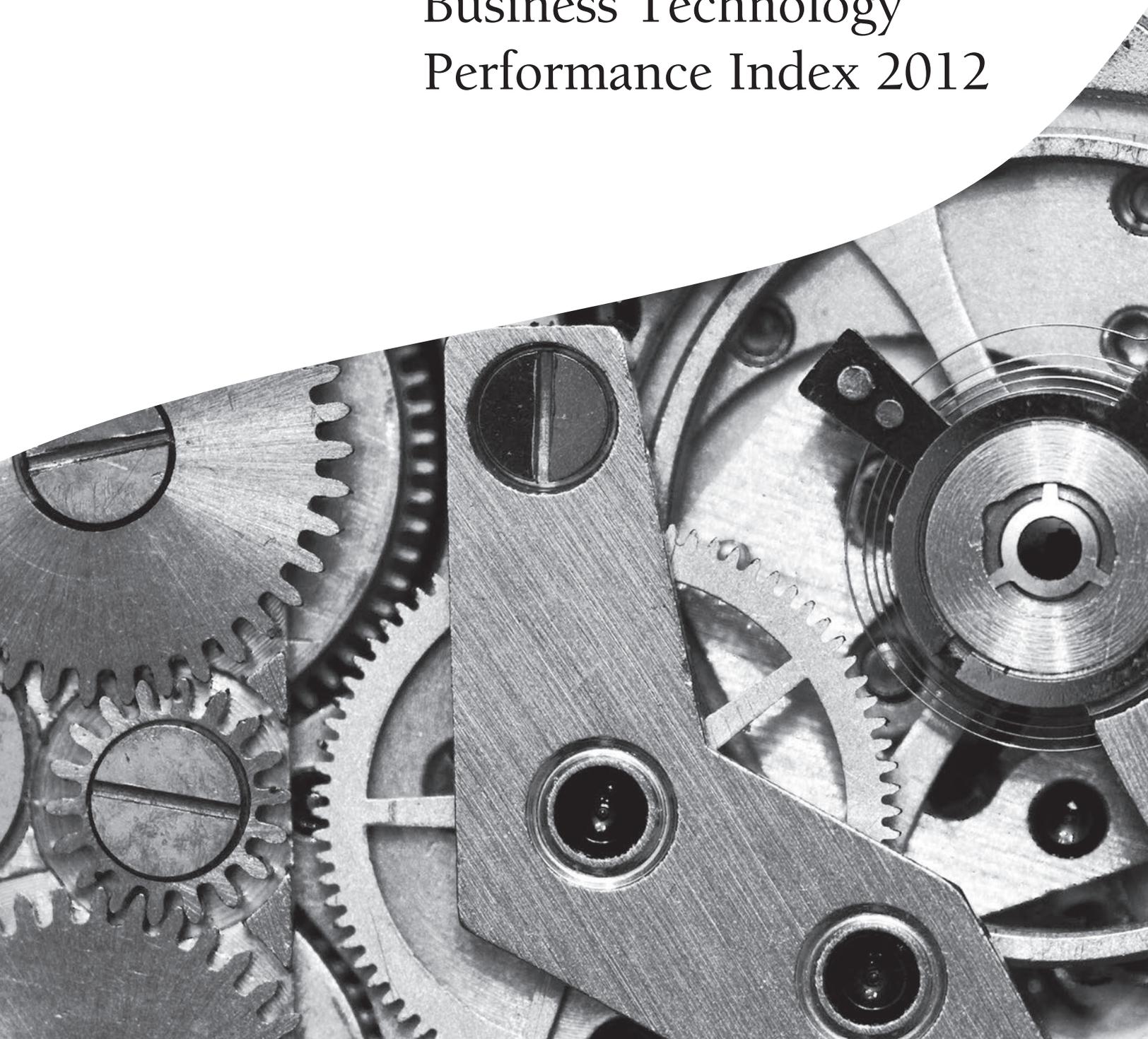


b t p i

Business Technology Performance Index 2012



About the Report

Capgemini has completed the tenth annual study of current technology and operations trends in the Equipment Finance market. The study serves as the industry benchmark for information technology (IT), operations direction and spending, and represents a summary of survey responses and key findings. Capgemini also provides insight into the continuing evolution of technology in the Equipment Finance marketplace.

The **2012 Business Technology Performance Index (BTPI)** was written and compiled during the period from July to October 2012. It is based on industry research and responses from 37 participants representing bank, captive and independent finance companies across a large spectrum of ticket sizes, market approaches and geographies. The respondent companies are largely members of Equipment Leasing and Finance Association (ELFA).

Participation in the BTPI is voluntary and free of charge. All Equipment Finance companies were welcome and invited to provide survey responses through online tools or Excel-based forms. All those who participated received a free advance copy of the report before the formal introduction of the report at the 2012 ELFA Annual Conference.

The 2012 BTPI is the latest report in a series of publications on business trends, systems and technology available through the ELFA, the Equipment Leasing and Finance Foundation (ELFF) and Capgemini. The BTPI report focuses specifically on trends in technology and operations, and their adoption. Other ELFA resources were used to support the research, analysis and conclusions found in this report.

About the Authors

The authors of the 2012 BTPI are part of Capgemini's Asset Finance practice. This group focuses on the Equipment Leasing and Finance market and works daily with Equipment Finance companies to help them create more efficient and profitable operations. With more than 120,000 people in 40 countries, Capgemini is one of the world's foremost providers of consulting, technology and outsourcing services. The Capgemini Group reported 2011 global revenues of EUR 9.7B. The authors and contributors to this report include: Josh Bridge, Steve Byrnes, Michael Donnary, Ken Kelliher, Lawrence Latvala, Bryan Parfitt and Christine Williams.

The authors would like to thank all the participating companies, respondent interviewees and Capgemini associates who assisted with this report. They would also like to acknowledge and thank Ralph Petta and Bill Choi of the ELFA for their continued support for the BTPI. Ralph and Bill were instrumental in ensuring this effort receives appropriate coverage, exposure and industry participation.

Preface

We are proud to present the **2012 Business Technology Performance Index** report in collaboration with the ELFA.

Now celebrating the 10th anniversary of the survey, the BTPI report provides insight into the trends and forward looking initiatives Equipment Finance companies have started, are anticipating or have recently completed in efforts to drive their companies into new markets, new opportunities, and improved and more efficient operations.

The main objective of this report is to help you understand the current thinking of market leading Equipment Finance firms relative to decision processes associated with operations and technology initiatives. This report will give you insight into operations and technology trends, and the state of technology in the industry. The findings of this report can help inform the construction of business plans and the creation of new technology strategies to support those plans. The BTPI can assist in efficiently benchmarking and refining your IT strategic direction against the market.

BTPI Founder Steve LeBarron

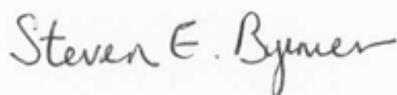
Ten years ago Steve LeBarron was the impetus for this report. Steve was literally a one-man show in developing the concept, drafting the survey, reaching out to the membership and writing the resulting report. For the first few years of the report, Steve contributed countless hours to the BTPI and it was largely his output.

As we have carried on the BTPI report over the past few years we have often reached out to Steve for his council and feedback. We hope that this year's report is in keeping with Steve's vision for excellence in research and giving back to the association.

The BTPI was not the only ELFA industry volunteer effort for Steve, it was but one of many. Steve served on many committees and had a special passion for research that benefited the industry membership. Steve's long equipment finance industry tenure was matched by a long-term dedication to volunteer efforts.

At Capgemini, as a personal friend, and as we are sure many across the industry would agree, we will miss Steve and would like to posthumously thank and honor him.

Cordially,



Steven E. Byrnes
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Executive Summary

Ten years of the BTPI and it looks like we have come full circle. Early surveys tracked with a period of strong growth for the industry. 2008 through 2010 followed the industry recession and now 2011 and 2012 appear to focus on re-building and once again, growth.

Taking a retrospective view, a few common themes appear with regard to how industry participants have focused their operations and technology resources, regardless of the underlying economic situation of the industry. These themes have also been reinforced in our work with some of the leading companies in the industry. It seems that these are steadfast objectives that companies strive for, in good times and bad.

- Flexibility to deliver innovative solutions—equipment finance has always been an entrepreneurial and innovative industry—this is simply a means to deliver those solutions
- Accelerated time to market—while correlated with “flexibility”, the focus is getting there first and delivering operationally supported solutions while competitors are in the planning stages
- Efficiency in operational delivery—through good times and bad, operational efficiency improvement metrics have been a cornerstone of virtually every company we have interacted with over the years



What about the customer? The source of revenue and reason for being. Two answers are evident in looking back through the BTPI research—first, the customer as a business driver is strongly evident in at least the first two themes discussed above. The second answer is that, in many cases, the industry focus on technologies to enhance the customer experience (customer relationship management software, customer portals on the web, and now mobile applications for customers) are decidedly secondary areas of focus.

Another obvious question is regarding why risk management is not a core theme of focus. Other than managing the top two areas of focus for the industry—credit and asset related risks—building capabilities to manage risk with a larger enterprise focus has been very segment specific (bank owned companies focus on it, others generally do not).

In conclusion, our hypothesis about how organizations prioritize and focus operational and technology resources revolves around the evolution of the industry and its “we are not banks” beginnings. A strong emphasis has always been on originating business much more so than sustaining relationships and portfolio servicing. It will be interesting to watch the industry’s continuing evolution and how these themes evolve over time.

1. Heartbeat of the Industry

It is fitting in an election year that we have been polling industry leaders and compiling survey data during the summer. Attending recent ELFA conferences and networking events has helped shape our view of the current technology heartbeat of the industry. To augment our industry research, we also looked at general technology trends and thought leadership studies from independent technology rating organizations. In this section, we will explore the highlights of our findings.

1.1. BTPI Survey Findings

The survey was revamped and shortened for our 10th year anniversary. Several quantitative questions were removed and the focus was placed on the qualitative topics and participant interviews.

Top 3 Key IT Related Initiatives

One question we ask every year is: “What are the top 3 key IT related initiatives you will undertake within the next 18 months?” The detailed responses are listed below:

Exhibit 1. Top 3 Key IT Related Initiatives	
Answer Options	Count
Build or improve systems integrations	11
Process efficiency improvement initiative	10
Business Process Management (automation of workflow)	10
Front end (originations) system replacement	9
Customer self service (including web, mobile, phone, etc.)	9
Business intelligence improvements	9
Expand financial product offerings	7
Electronic signature solutions	6
360 degree view of customer / CRM	5
Back end (servicing) system replacement	5
Consolidate multiple back end platforms	4
Portal for partners	4
Buy or build business specific applications	3
Compliance improvement initiatives	2
Risk management initiatives focused on Credit, Residual Value, Liquidity or Interest rate risk	2
Consolidate multiple front end platforms	1

Exhibit 1. Top 3 Key IT Related Initiatives	
Answer Options	Count
Invoicing / payment processing initiative	1
Other (please describe below)	1
Outsourcing of processes	0
Outsourcing of systems / applications	0

Building or improving system integrations came out on top, with the highest number of responses as well as a strong average rating—many respondents listed it as the top or second overall IT initiative. Process efficiency and workflow automation continued to score highly, following the upward trend of survey activity in this area over the past three to four years.

System Replacement

System implementations are back in a big way, with back end system replacements moving up the priority list coupled with front end system replacements maintaining its annual position as a top IT initiative. One-third of respondents are replacing front or back end systems—and in two of these cases, both systems are simultaneously in the process of getting replaced. For this subgroup, the software solution options were split evenly between enterprise, best of breed and custom solutions. However, the overall response rate for a preference towards custom solutions was the lowest recorded in the ten year history of the BTPI report. While front end system replacements outnumber back end system replacements by almost a 2:1 ratio, the fact that back end systems are actually getting replaced is a story in and of itself.

System Limitations

In terms of current systems, this year’s respondents reported a wide variety of installed applications. Approximately one-third of all respondents were the sole user of a specific front or back end system. There was a three way tie for the most common front end solution vendor with In House (custom) developed solutions tying with two package systems. For back end systems, a long-term, legacy package system was far and away the most common solution. With so many different systems represented in the survey data, we took a closer look into the top areas of feature functionality missing from current systems.

The four primary categories of preferred features missing from the respondents’ current front end systems were data enhancements, integration, workflow and reporting. Integration to surround systems and workflow are now industry standard for front end systems, although the integrations may be less than seamless. Data validations, fields and import capabilities typically vary from solution to solution. Real-time, transactional reporting is best built out of the source front end system, with ad-hoc reports and other recurring reports written out of a datamart which will have a one day lag. The actual responses per category are captured below; please note that some were marked as limitations as opposed to completely missing:

One-third of respondents are replacing front or back end systems in the next 18 months.

Data enhancements, integration, workflow and reporting were the four primary categories of preferred features missing from current front end systems.

Exhibit 2. Missing Front End System Features

Data
Available user defined fields for back-end data
Data input error checking
Easy access to changes
Electronic capture of data
Quick recall of previously entered applications
Rapid data entry/uploading
Record locking

Reporting
Better KPI/Management Reporting capabilities
Business Intelligence / metrics reporting
Ease of reporting
Improved reporting capabilities
User configurable data query tool (ad-hoc reporting)

Integrations
Ability to easily integrate with other systems
Accessibility for systems integrations
Bi-directional feed to Accounts Payable System
Booking Templates
Cleaner integration to company's internal product quoting system
File to file transfer from syndication partners
Improved system integration capabilities
Seamless integration with back end system
Interfaces with scoring and credit functions
Interfaces to credit applications
Link to credit information (D&B)
Linkage with SFDC
Pricing integration
Strong tie to document management system such as Sharepoint

Workflow
Advanced workflow functionality such as looping
BPM/BAM
Clunky workflow process (limitation)
Externalized support business rules
Limited workflow (limitation)
Non-linear workflow
Optimized automation of workflow
Strong workflows
Too many manual processes (limitation)

Moving to back end system limitations, the responses were somewhat different. Integrations and reporting remained as consistently named pain points, but workflow limitations were only mentioned in two responses. Certain specific areas of functionality, such as asset tracking, loans, cash, collections, syndications and end of term processes were also listed as limitations. Typically these areas are considered “modules” in a back end system which are available for purchase. The following section includes a discussion regarding the ability of back end systems to meet the current and future needs of the industry.

1.2. Other Technology Trends

To augment the 2012 BTPI survey data, we looked at current outside research studies in an attempt to draw parallels to the Equipment Finance industry. The industry is typically five years behind most technology curves; however a few recent examples do demonstrate that some companies are jumping on board ahead of the curve. A technology industry rating organization has published a top 10 strategic technology initiatives for 2012. A summary of the trends are displayed below.

Exhibit 3. Key Technology Initiatives for 2012

Media Tablets	Next-Generation Analytics
Mobile-centric Applications and Interfaces	Big Data
Contextual and Social User Experience	Cloud Computing

Mobile, social media and the cloud are all key trends across the IT landscape.

Mobile, social media and the cloud are all key trends across the IT landscape. Users have moved away from the traditional desktop computer to multiple, mobile client devices. This offers the individual users more freedom and flexibility, yet presents challenges to enterprise software deployments and data security. Direct examples from the BTPI survey respondents include, loading a pricing app onto a sales rep’s iPad and deploying a mobile lease origination portal.

Performing some high-level Google searches, we came across a current commercial banking technology initiatives list which could have just as easily been written for Equipment Finance companies—citing consolidate platforms, integrated lifecycle solutions and business intelligence as key initiatives in that financial services sector. Capgemini’s research archive included a recent CFO study which incorporates the BTPI themes of technology and operational trends to help readers align spending priorities while understanding how technology can support corporate performance. A summary of the findings is listed below.

Exhibit 4. Summary of CFO Study Findings

Despite slow economic growth, CFOs expect conservative, steady IT spending
The CFOs role in IT investment has increased again in 2012
The 45% of IT leaders that report to the CFO are more than report to any other executive
CFOs are focused on business analytics and business applications more than on technology
Information, social, cloud and mobile technology trends are on CFOs' radar

CFOs are focused on business analytics and applications more than on technology.

With more IT departments reporting to the CFO, IT teams must be able to explain costs, encourage adoption and share information with non-IT employees who use the technology daily. As system implementations come back into vogue, the CFO and IT must work together as business partners to ensure the delivery of leading business process solutions.

1.3. ELFA Operations and Technology Conference Update

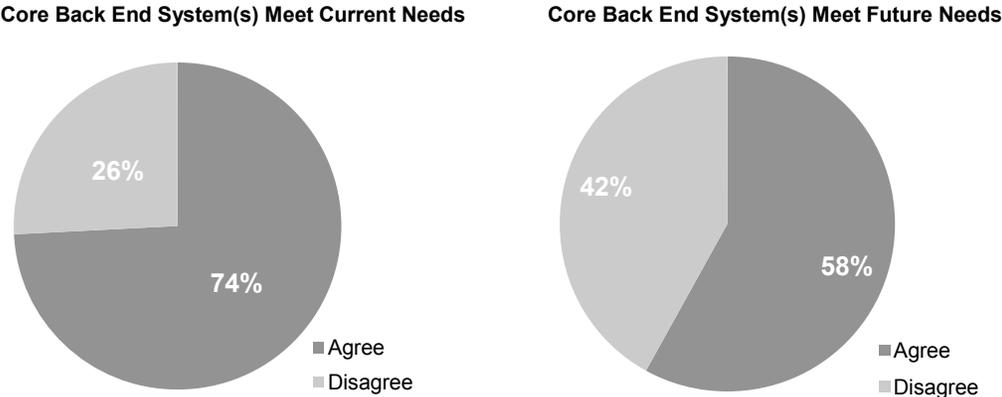


On September 11, 2012, a group of operations and technology decision-makers met in Washington DC to preview the 2012 Business Technology Performance Index survey results. The goal of this session was to review the results of the survey and engage in a roundtable discussion on the most relevant topics. The following are the highlights from that discussion.

Does Your Back Office System Meet Your Needs?

While most participants agreed that current core back office systems meet their current needs, many are concerned about the future. The group’s hypothesis was that the primary concerns would center on the system’s ability to support upcoming accounting changes. This was quickly confirmed, and as the discussion continued, it was discovered that the group had other significant concerns.

Exhibit 5. Back Office System Meeting Current and Future Needs Survey Responses



“We need to stop talking about front end and back end systems. That model does not work for our business any longer.”

One theme that emerged early in the discussion is that the equipment finance lifecycle and associated business process workflow has changed since the time many incumbent systems were implemented. The process is no longer a linear transaction process, but an ongoing customer engagement lifecycle—with many sub processes that must be supported to be effective. The majority of the roundtable participants reported that their back-end systems were selected and implemented at a time when deals were originated in a front-end system, and exported to a back office system for billing, collecting and other servicing activities to occur, including asset disposition. An equipment finance transaction had a beginning, middle and end. The reality today is that our business is customer, not transaction centric. The next generation of systems needs to enable the customer engagement lifecycle, not simply the transaction lifecycle.

“We need business agility now more than ever”

“We need to deliver value to the business quickly.”

A downturn in the economy, maturing enterprise architecture and the need to support ever changing financial products were all cited as drivers to incorporate platforms which are capable of supporting new financial products. However, it is often a collection of manual process and disconnected systems providing operational support for the business. A recent market feedback study commissioned by Capgemini reports that it typically takes 9 to 12 months for operations to fully support a new financial product.

“To execute our current business model we need to connect multiple internal and external systems”

One participant described a need to support complex billing scenarios such as multilevel cost per use billing. The organization requires multiple platforms to collect this information from partners and connected devices, associate it with customers, provide accurate accounting entries and generate timely customer invoices. Integration with the core back-end system is also required to track multiple lines of business, including maintenance, insurance and brokerage services.

Customer View vs. Transaction View

“Our entire organization needs a 360 degree view of the customer, not just sales and marketing.”

Almost all of the participants agreed that existing systems do not address the need to understand customer activity across multiple systems and lines of business. IT is being asked to provide both sales and operations employees access to the same customer information, preventing multiple touch points. Ideally, a single system would provide all the necessary information to the user, alleviating the need to hunt through multiple departments to gather information. The business is asking IT for an improved visibility in to customer interactions including sales calls, customer service calls, and customer service issues. With the ultimate goal being to improve visibility into customer interactions, and allowing for performance measurement.

The industry landscape has changed since many back end systems were selected and implemented. The lines of delineation have grayed between front and back end systems while the number of critical supporting systems has increased. The focus has shifted from individual transactions to the overall customer view and relationship as seen from all angles of the organization.

System Replacement Initiatives

One of the most anticipated and well received sessions at the Operations and Technology Conference focused on what it takes to get started with a system replacement initiative. BTPI data indicates that modern equipment finance companies are still working with outdated (10+ years old) technology, while modern systems offer many business benefits over previous generations. The roadmap of retiring the legacy system and managing the risk of disruption to core processes is key to a successful implementation. Panelists discussed the three questions an equipment finance company encounters during system replacements; what will it take, what's out there and how will we execute?

Panelists discussed...

“What will it take, what's out there and how will we execute?”

An understanding of your organization is the first step to determine “what it will take” to implement a solution. Cultural factors affect project success and system change will mean process change. Before starting on a system replacement, you need to determine if the organization, its business partners and the user community are all ready for the transformation. A well-defined business vision document must be shared with stakeholders to help determine if the organization is ready for the change. Some high level detective work is recommended to understand how well the organization understands and has documented the existing business processes. Are there known pain points and at what level? A common understanding of the internal and external business and technology drivers for change should be considered. While looking for an implementation partner, important considerations include market position and strategy, base solution functionality, vendor viability, support capabilities and client base similarities. Active members of the ELFA know “what's out there” by staying up to date with published industry content such as the annual software guide and meeting with vendors at conferences.

Establishing relationships with service providers is an iterative process beginning with introductory meetings and basic demonstrations of the product. As the relationship grows, you will gain a deeper understanding of the solutions and the service providers will gain a better understanding of your needs. This deeper understanding is a time to address specific pain points for your organization and learn the strengths and weaknesses of the solution. In the case study presented, a consulting firm was engaged to lead the system evaluation effort. The strategy, approach and methodology used to deliver the evaluation followed a proven equipment finance system selection methodology. This methodology included templates and tools for requirements gathering and evaluation, project process steps, conference room pilot scripts, a Request for Proposal (RFP), a vendor scorecard, a business case and risk evaluation approach. This structured approach leads to an objective scoring of the solutions evaluated. It is important to trace the RFP responses to the final implementation statement of work to ensure all expectations set during the sales cycle are met during the implementation process.

2. Behind the Numbers: Participant Interviews

We expanded upon our approach of analyzing survey results by facilitating interviews with a group of respondents. We believe that these discussions and the lessons learned, both positive and negative, provide interesting insights as to key issues facing the industry. As with the rest of the BTPI report, the interviewees and specific systems discussed remain confidential.

2.1. System Selection Process

Severe market competition has dramatically transformed the business environment with the result that companies need to reduce total costs, maximize return on investment, shorten lead times, and be more responsive to customer demands. One way to do this is through the use of new technology. Finding the right new technology can be a daunting task and it often starts with system selection.

Unfortunately, system selections are not always successful. Why do so many system selections go wrong or just take so long? Quite often the team involved in the selection process has not had the experience of running a selection before and may not have knowledge of the specific business area, or of working closely with systems vendors. This can lead into a selection process taking months to complete or worse, end in the selection of the “wrong” platform.

In our experience, when a company is taking on a system selection project for the first time they will rank, in order of importance, the following perceptions:

1. Price of software and implementation
2. Ease of implementation
3. Functional fit and ease of use
4. Evaluation of underlying technology architecture
5. Growth potential of software
6. Level of vendor’s implementation and ongoing support provided
7. Developers track record of performance

Interesting changes occur when an organization has gone through a troubled system selection or implementation effort and they are reviewing alternatives a second time around. Here are the rankings for those organizations:

1. Level of implementation and ongoing support provided
2. Developers track record of performance
3. Functional fit and ease of use
4. Ease of implementation
5. Growth potential of software
6. Price of software and implementation

“Why do so many system selections go wrong or just take too long?”

System selection projects take planning, access to methodologies and tools, leadership, project management, communication and perseverance.

Evaluation of underlying technology architecture system selection projects take planning, access to methodologies and tools, leadership, project management, communication and perseverance. The best approach involves using the talent and resources within the company or at the company's disposal and empowering the team to deliver the project. Yes, as the rankings indicate it also means looking beyond the product's ability to meet functional requirements. Yet, even with those key attributes, selection projects that have a misplaced focus often run into problems.

Let's take a specific case as an example. An initiative was undertaken by an equipment finance company to select a front end application. This company formed a dedicated project team whose sole initiative was the project. The project approach used a methodology where business requirements were gathered by identifying relevant processes, prioritizing these processes and developing business requirements whether through process mapping or documenting needs. They identified the appropriate vendors and performed a limited level of due diligence to ensure the vendor had a working product. Next, they created a RFP (Request for proposal) to validate the system was in line with the business requirements. Finally, they negotiated price to ensure they were getting the best deal possible for the services and software being provided.

The project started with much enthusiasm and seemed to be headed towards the right solution. However, after some time elapsed and considerable expenses were incurred, dates were being missed and the vendor wasn't meeting their expectations. What happened? The approach to system selection didn't include all of the relevant pieces. What was missing? In hindsight, a few components were obvious:

1. The demonstrations of product functionality were glossy, but had little substance. Instead of understanding how the functionality was being delivered, there was strong buy-in to mock-ups of functionality that was not yet truly operational.
2. The vendor's initial implementation plan was unrealistic, but not challenged. The organization heard what it wanted to hear in terms of an implementation timeline and did not vet it for how it could be accomplished. Delivery dates for the implementation were missed within the first three months of the engagement and things got progressively worse from there.
3. The vendor had a poor implementation track record which may have been an early warning sign, however, given the very limited due diligence effort, it was not uncovered.

Selecting a system is like a marriage. It is something that should not be taken lightly. The vendor plays an important role in the relationship and needs to be considered just as much as the software itself.

2.2. Small Ticket Originations Implementation

Question 1: Based on your BTPI response, it looks like you are focused on three initiatives: a new front end system, automated workflow, and business intelligence improvements. What were the key business drivers behind those initiatives?

Answer: A front end was an obvious choice for us to start with. Originations / underwriting was an area we needed to enhance. We currently have a lot of manual processes and were looking for something which would provide us with the opportunity to enhance and streamline those processes.

A lot of drivers went into this decision, everything from improvements to the data being captured to providing us much needed workflow. Our workflow needed a lot of help; we still have a lot of manual processes. Most of our systems do not talk to each other and the handoffs can be painful. So our decision to buy a new front end was driven in large part by the benefits we would realize from the enhanced workflow it will provide.

We're always looking for an understanding of our bottlenecks and pain points in an effort to avoid them going forward, this implementation process has certainly done that.

Question 2: What were the key technology drivers behind these initiatives?

Answer: On the technology side we were looking for something which was both robust yet affordable, price and functionality really drove the decision

Question 3: Please describe the current status of your project.

Answer: Our front end project is about half way through our original 6 month project plan. We've mapped and documented the future state workflow and now we're in the final stages of working through the actual programming and configuration. We're hoping to roll out by year end 2012.

Question 4: What are the expected benefits that you wish to gain after implementing this solution?

Answer: The way we see it, our front end will provide new revenue and the ability to provide additional products. Also, the introduction of workflow will really be a cost saver when looking at our current, manual processes.

Question 5: What are some of the lessons learned from this project?

Answer 1: We're still learning. I don't know that you ever have it "figured out". In terms of things we might have done differently, if we had unlimited resources we would have spent more time designing the solution. We took the approach of taking most of the "out of the box" functionality.

Answer 2: We need to continually look at our processes and take the time to understand if there are better ways of doing the things that we do.

“Spend time understanding the vendor’s vision for their product... if you understand the software, you can better understand how it fits for you.”

Answer 3: Spending time understanding the vendor’s vision for their product. They had a vision for the functionality. If you understand the software, you can better understand how it fits for you.

2.3. Prioritizing Strategic Initiatives

Yes, it’s all about the customer, but sometimes you have to question—which one? Each organization has its own set of business driven complexities and this captive finance organization is no different. When your channels include both direct and indirect alternatives and your back office operations have their own “multiple-masters” (both internal and parent company), deciding on how to spend scarce technology investments dollars can be challenging.

Bottom-up, top-down, outside-in, drivers—this organization has been highly successful (as measured by a high growth rate, with relatively limited growth in expenses) at understanding these drivers and coalescing them to form strategic initiatives that satisfy multiple masters. The organization has also grown within the eyes of its parent and is increasingly taking on leadership positions across functions such as enterprise risk and the management of assets.

“Our parent company has an ongoing, company-wide risk management initiative (top-down). We piggy-backed on their requirements to enhance our credit decision making process (bottom-up) and also provide accelerated decision making turnaround times for our customers (outside-in)”.

This captive has to battle for investment dollars, subject to stringent business case tests, across the entire organization (one of the downsides of a shared IT organization). Delivering capabilities for multiple stakeholders has become a key test for this captive in how they look at prioritizing spending.

Another key initiative for the near term is **consolidating multiple backend servicing platforms**. While many organizations focus on this type of initiative as an efficiency driver for the internal organization, this captive incorporated opportunities to improve debt management capabilities (required by the parent’s treasury management function) and also enhance billing and customer service capabilities for its end user customers. “This initiative improves information quality and timeliness for our customers—they may be the biggest winners of all regarding this project”.

The final key spending initiative for this captive was derived from inputs from parent corporate strategy, back office operations, key indirect vendor partners, end user customers and an analysis of competitive finance offerings. The solution delivered back-office support capabilities for new products being developed for a high-growth segment of the parent.

This captive’s approach to delivering capabilities across multiple constituents is not unique, but it has been highly successful. Their ability to view challenges through multiple lenses and make decisions on allocating scarce resources has led to both growth and efficiency and an enviable position within the overall organization. Investing strategically, not investing more—a prioritization approach for this organization—and perhaps others.

Their ability to view challenges through multiple lenses...has led to both growth and efficiency.

2.4. Reboot of a Global Software Implementation

About three years ago, a global captive organization embarked on a global lease accounting software rollout. The drivers for change included a technology refresh and consolidation, development of scalable global capabilities, and seamless integration to surround systems. A multi-year rollout calendar by geographic region was produced. A software vendor was selected and work commenced on the implementation effort.

However, challenges in the effort began to emerge in short order. Key issues included vetting the selection against all of the businesses requirements and the maturity level of the solution itself. Relative to the requirements - the global and local business requirements were not developed in totality before the selection of the to-be system was made. Multiple global teams continued to work on requirements, often with limited integration and ultimately, an increasing number of gaps in the software emerged as the requirements became solidified. In addition, there was no migration plan for the various front end systems deployed in different regions throughout the world.

In parallel to these requirements activities above, the software vendor began to configure a solution with the known business requirements. The software product was relatively immature, and the organization quickly realized that its requirements, although not 100% baked, would not be met in an acceptable timeline. An executive decision was made to go back to the drawing board with a new system selection process, leveraging the existing work completed to date. In effect, the global software implementation project was rebooted.

Fast forward to today, and there is quite a different story to be told. A global operations organization design team has been formed to define and standardize end-to-end business processes throughout the organization. To enforce and continually improve the new processes, a global business process management team has been added to the program governance structure as well. The completed requirements have been refined, updated and validated against the new standardized business processes. Global origination system requirements have been added with an implementation timeline in synch with the lease accounting system implementation timeline. Improved communication across both functional and geographic areas has resulted in consistent requirements and stronger coordination with the software vendor.

A mix of best of breed packages, commercial off the shelf applications and internally developed applications have been selected to deliver the end-to-end global software solution. The software vendors and IT have been engaged and working collaboratively with the project team since the project reboot. Project scope has been controlled with an eye towards delivering on the key requirements of the business.

It is too early to call this project reboot a success, but the initial phases of the initiative appear to be back on track.

The global and local business requirements were not developed in totality.

A mix of best of breed packages, commercial off the shelf applications and internal development projects were selected.

2.5. Conclusion

Companies are selecting forward-looking systems rather than optimizing legacy solutions.

The BTPI interviews and survey results support the existing anecdotal evidence that core system implementation initiatives are back in favor in the Equipment Finance industry. Companies are again focusing on selecting forward-looking system solutions rather than simply optimizing legacy solutions. In addition, some respondents have initiatives to consolidate multiple instances of existing solutions, which is typically managed as an implementation project.

While system implementations appear to be back in vogue, a company's readiness to take on the challenges of a system implementation is a driving factor for deciding when to "flip the switch". A thorough vendor due diligence process is a pre-requisite for system selection. The to-be system must have at least the same level of functionality as the incumbent system. Requirements should be complete for all applicable business processes and clearly stated, without bias of solutioning for a specific product. If market conditions change for any reason and a system implementation is deferred, prior completed work should be leveraged and refreshed at a later date to accelerate the implementation timeline.

3. Survey Response Statistics

The following section of the report provides a summary of the 37 responses to the survey. Since respondents did not always provide information for each question, each table in the survey may have a different number of respondents.

Exhibit 6. BTPI Survey Statistics

1. Profile of respondents by type of Equipment Finance provider		2. Profile of respondents by market segment	
Bank	12	Micro-ticket	2
Captive	13	Small-ticket	15
Independent	12	Middle-ticket	15
Total respondents	37	Large-ticket	5
		Total respondents	37

The following ten (10) questions focus on the respondents rating of internal capabilities in terms of IT and Operations abilities. The respondents were asked to rate each area based on the following table of maturity definitions:

Initial	Ad-hoc processes. Systems not industry standard and do not cover the entire leasing lifecycle. Widespread use of Excel and standalone, non-integrated systems and tools.
Repeatable	Core processes established, although inefficient. Duplication of data entry prevalent. Core systems integration with supporting systems is non-existent or poorly executed. Front-end and back-end platforms have limited interface. Reporting is manual and ad-hoc. Organization is dependent on good people, not good processes and systems.
Defined	Processes are documented, standardized and well integrated with core systems. Some consideration of processes and systems is given prior to new market entry or new program development. Workflow drives processes. Two-way integration between front-end and back-end platforms. Partners are linked in through the web for new business origination.
Managed	KPIs and metrics established for processes. Systems and processes drive financial offerings. Web presence extends to partners and customers and covers a wide range of front-end and back-end capabilities. Manual data entry is minimized or outsourced, focusing internal resources on analysis and customer serving activities.
Optimizing	Continuous processes improvement. Processes and systems have become a competitive advantage for business. Financial products are highly integrated with processes and systems and some aspects of them are difficult to duplicate by competitors. Customers and markets drive system investments.

3a. How would you rate your company's customer relationship management (CRM) capabilities?

Rating	Percentage of Respondents
Initial	6%
Repeatable	30%
Defined	46%
Managed	12%
Optimizing	6%

3b. How would you rate your company's new business processing capabilities?

Rating	Percentage of Respondents
Initial	3%
Repeatable	21%
Defined	49%
Managed	18%
Optimizing	9%

3c. How would you rate your company's back end portfolio servicing capabilities?

Rating	Percentage of Respondents
Initial	3%
Repeatable	21%
Defined	46%
Managed	18%
Optimizing	12%

3d. How would you rate your company's collections and customer service capabilities?

Rating	Percentage of Respondents
Initial	6%
Repeatable	24%
Defined	34%
Managed	27%
Optimizing	9%

3e. How would you rate your company's customer self service capabilities?

Rating	Percentage of Respondents
Initial	34%
Repeatable	24%
Defined	30%
Managed	6%
Optimizing	6%

3f. How would you rate your company's core accounting (general ledger, accounts payable, payroll) capabilities?

Rating	Percentage of Respondents
Initial	0%
Repeatable	6%
Defined	55%
Managed	30%
Optimizing	9%

3g. How would you rate your company's business intelligence / reporting capabilities?

Rating	Percentage of Respondents
Initial	9%
Repeatable	27%
Defined	32%
Managed	24%
Optimizing	6%

3h. How would you rate your company's compliance and controls capabilities?

Rating	Percentage of Respondents
Initial	0%
Repeatable	19%
Defined	39%
Managed	39%
Optimizing	3%

3i. How would you rate your company's project management capabilities?

Rating	Percentage of Respondents
Initial	9%
Repeatable	15%
Defined	58%
Managed	15%
Optimizing	3%

3j. How would you rate your company's enterprise risk management abilities: liquidity, operations, credit, residual value, reputation, and market risk?

Rating	Percentage of Respondents
Initial	9%
Repeatable	15%
Defined	40%
Managed	30%
Optimizing	6%

4. Respondent identification of top 3 IT related initiatives to be undertaken with the next 18 months

Initiative	Number of Responses
Build or improve systems integrations	11
Process efficiency improvement initiative	10
Business Process Management (automation of workflow)	10
Front end (originations) system replacement	9
Customer self service (including web, mobile, phone, etc.)	9
Business intelligence improvements	9
Expand financial product offerings	7
Electronic signature solutions	6
360 degree view of customer / CRM	5
Back end (servicing) system replacement	5
Consolidate multiple back end platforms	4

4. Respondent identification of top 3 IT related initiatives to be undertaken with the next 18 months	
Initiative	Number of Responses
Portal for partners	4
Buy or build business specific applications	3
Compliance improvement initiatives	2
Risk management initiatives focused on Credit, Residual Value, Liquidity or Interest rate risk	2
Consolidate multiple front end platforms	1
Invoicing / payment processing initiative	1
Pricing model for mobile application	1
Outsourcing of processes	0

5. In which of following areas are you using automated workflow	
Area	Percentage
Credit	61%
Documentation	58%
Funding/Booking	45%
Collections	32%
Asset Management	29%
Portfolio Management	23%
Customer Service	23%
None of the Above	26%

6 Number of years using front-end system	
Average	7.4

7. Your relationship with your core front-end solution provider can best be described as:	
Description	Percentage
A strong, successful partnership	28%
A collaboration that works and is growing	28%
A relationship with some hits and misses	25%
A relationship in definite need of improvement	16%
An arrangement that we would prefer not to be a part of	3%

8. Number of years using back-end system	
Average	11.0

9. Your relationship with your core back-end solution provider can best be described as:	
Description	Percentage
A strong, successful partnership	31%
A collaboration that works and is growing	31%
A relationship with some hits and misses	19%
A relationship in definite need of improvement	13%
An arrangement that we would prefer not to be a part of	6%

11. Respondent preference towards approach for assembling core, front-end origination and back-end servicing system applications	
Purchasing an enterprise-wide, package based solution from a single vendor	36%
Purchasing best of breed package based solutions from multiple solution providers	42%
Building a custom application(s) tailored to your company needs	23%

12. Please specify your level of agreement or disagreement with the following statements as they pertain to your organization							
	Strongly Agree	Agree	Somewhat Agree	Somewhat Disagree	Disagree	Strongly Disagree	No Answer
Core back-end system(s) meet current needs	24%	34%	3%	16%	5%	0%	18%
Back-end system(s) meet future needs	18%	25%	5%	8%	21%	5%	18%
Core front-end system(s) meet current needs	24%	29%	5%	11%	5%	8%	18%
Front-end system(s) meet future needs	21%	31%	0%	11%	8%	11%	18%

13. Respondent company web based offerings for customers (note: respondents have selected all that apply)	
	Number of Responses
Request support (e.g. customer service, sales)	14
View all contract / asset information	13
Make payments	12
Electronic bill presentment	11
Request changes to contract / asset information (e.g. address change)	10

13. Respondent company web based offerings for customers (note: respondents have selected all that apply)	
	Number of Responses
View payment history information	9
None	9
Electronic presentment of documents	8
View balance and payoff quote information	8
View cross-sell product offerings	7
Execute documents electronically	5
Request a funding under a line of credit or master agreement	3



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