



About the LendingCycle

Lending Cycle, Inc. (LendingCycle, based in Louisville, Kentucky) offers easy and powerful Workflow Automation and Lending Productivity solutions that monitor compliance items (such as Exception Items) and that highly automate functions like pipeline management and funding reports. Their approach includes a focus on reducing expenses and establishes consistent controls and workflow in the pre-close lending environment. www.LendingCycle.com

ABA ENDORSED VENDOR

GUERRILLA WORKFLOW

**Close Better, Reduce Expenses, Increase Controls,
and Please Your Regulators with Fewer Resources**

Not long ago, I was Executive Vice President of a bank and managed our retail and lending teams. After a particularly helpful examination, I pulled my team together to look at how we addressed exception items and other elements of our loan workflow. As we really dug into our processes, it became apparent we had some opportunities. While we had systems in place to deal with everything from pipeline reports to our exception lists, those systems were deceptively stealing more resources and productivity than anyone would have imagined. We also questioned the quality of the information those systems provided. There were numerous stories about our processing staff tracking down handwritten notes on lenders' desks and assistants spending hours accounting for their lenders' pipelines. I knew about some of this, but didn't realize the degree of our inefficiencies, redundant processes, and compromises. Our biggest issue, it seems, was that our team had become comfortable with an environment that just produced passable results. This was a time when we were looking to grow while significantly reducing expenses. Passable results weren't really what we had in mind. But, we were all guilty of not changing processes we knew were flawed. We knew that our systems were similar to those of peer banks, and they weren't scrambling to make changes either. I later realized why.

Solving a Problem

The processes that govern pipelines, funding reports, productivity, and other items like exceptions were important, but generally not at the top of any initiative list. The issues we discovered were certainly fixable. Our biggest motivation came from our determination that over 25% of our lending staff expense was being wasted on the inefficiencies of our processes, while our funding and pipeline information was only adequate at best. This reality alone warranted changes.

To resolve this problem, we first needed to define it. We articulated our problem as a disjointed loan workflow environment with inefficiencies and redundant processes that lacked the accountability and controls to produce quality results and information. As we formulated action tasks to solve this problem, we made a list of what we needed to know and achieve from our loan workflow and operation. That list included the following:

- Better manage and account for Loan Exception and Loan Approval Items (pre and post close - what's currently needed, and what was missed) from the beginning of the process

- Streamline the Loan Pipeline Process and increase its accuracy
- Streamline the Funding Report Process and increase its accuracy
- Automate the Loan and Credit Memorandum process
- Streamline the Loan Review process
- Automate Portfolio Management item tracking (follow-up collection of financials and similar)
- Obtain reporting of Lender, Location, Loan Type, and other Performance Indicators and Goals
- Provide better visibility of cross-sell opportunities
- Dramatically reduce the overhead involved with addressing these items

There were other items on our list, but the points above directly tied to issues we needed to resolve. When considering options for addressing these items, all plans focused on ease of use, everyone's role in the process, accountabil-

ity, and visibility.

Next, we perceived there were two general courses of action:

1. Fix our existing systems
2. Rework our lending environment and workflow (*with the likely assistance of an external solution*)

Fixing our existing systems seemed to be the easiest path. Much of our pre-close workflow analysis and tracking had been produced in Excel spreadsheets or home-grown Access databases. This was similar to how most of our peer banks performed the same functions. The biggest issue with this path was that these systems had already failed us and we weren't going to see much, if any, lift in efficiency. With even the best updates, this option seemed like a duct tape patch that would bite us later. Plus, this approach encouraged us to manage each process separately, creating significant redundancy.

We perceived there were four general activities that would be involved if we reworked our lending environment.

1. We could purchase a bank specific Customer Relationship Management (CRM) solution that had workflow components. I was impressed with these solutions when it came to better serving our customers, but their workflow options seemed to be an afterthought. These systems were geared to customer relationships throughout many functions. While compelling to the overall functions of an organization, they usually neglected pre-close lending performance analysis (funding reports, lender productivity, pipeline analysis, exception monitoring, etc.). Plus, the CRMs we reviewed were expensive and required a good bit of time to implement.
2. We could purchase a non-bank CRM or Sales Force Automation (SFA) solution. This option was alluring. Many of these solutions were adaptable, had workflow components, and the price was right. We could buy this type of product online for approximately \$79 a month per user with no setup fees, no new equipment expenditures, and no new software on our users' systems (as most of these products work with our web browsers). Unfortunately, these products were designed for organizations selling something for a price and didn't adapt well to the bank environment.
3. We could expand the capabilities of our loan origination solution as our vendor had add-ons for workflow management. After review, we found these solutions hard to use outside of our processing and underwriting functions. They were also very expensive. People don't like change, especially if it makes their life harder. If I was going to spend the kind of money our vendor was quoting (not to mention the five month implementation queue), the products would have to be easy to use. I didn't want to address morale and new product adoption issues while justifying why I had spent so much on a new solution.
4. We could expand the capabilities of our core processing solution as we were happy with its performance. Plus,

this vendor also had add-ons for workflow management. But their workflow and pre-close reporting options really were an afterthought and lacked many needed features. While priced fairly, we wouldn't gain much over our existing environment.

After reviewing several solutions, I understood why my bank (and my peers) utilized internally developed systems for managing workflow and accounting for pre-close loans. Who wants to spend money on disjointed solutions that still involve several compromises? While we reviewed some great solutions, they excelled in their core competencies, but not in useful loan workflow management and reporting. We could spend a lot of money and time, and really not impact the bank.

Compromise

Over that next month, we decided to enhance our existing processes. The distraction of a new system that mildly addressed our needs, combined with the cost of such a system, compelled us to fix what we had. My team learned enough from the process that we mildly impacted our staff resources and generally addressed our concerns.

Later that year, I took a CEO role with a company outside the financial institution sector. Our bank was purchased soon after I left, and my team ended up in roles with institutions throughout our region. Despite these changes, the process we went through to fix our workflow remained firmly in my conscience. In my new role, I had the opportunity to experience workflow concepts that had nothing to do with banking. Our company interacted with companies from varied sectors. As I spoke with the executives from successful organizations, I learned how they had seen dramatic results from significant changes in their production/workflow environments. What I found when digging deeper into their success changed most of my assumptions on this topic and put me on a three year journey that resulted in the formation of a new company and my return to banking.

Guerrilla Workflow

Most successful production environments have the same general premise: focus on the foundation of the workflow: the movement of units through the system (loans would be units in our world). The idea is to develop systems and processes tied to units and their movement. All activities are then geared toward that premise which keeps the focus on the core business. Additionally, a focus on the movement of units helps close business faster. All efforts in managing these systems are based on consistency, simplicity, and a contiguous nature to the workflow. Instead of creating large complex systems or purchasing disjointed software solutions, the focus is on flow and activity. Instead of creating a large army that covers the entire landscape, this is a Guerrilla approach of focusing on where action takes place. Information never resides in multiple places; it's centralized and tied to unique units. All reporting, tracking, and other functions are derived from the units and their flow. As units move through the system, information travels with them with as much visibility as possible. This approach fosters efficiencies in the overall environment, reduces expenses

that are wasted on unnecessary processes, closes business faster, keeps staff focused on what is important, and addresses issues in a consistent manner, as time and resources are available. When your workflow is consistent and contiguous, it's much easier to manage and track. Plus, all collected information is centralized around the core of the business.

This Guerrilla Workflow concept absolutely applies to organizations that are updating an existing environment. Instead of trying to fix mounting issues, most organizations have found success faster and easier by focusing on the consistency and contiguous nature of their workflow. When addressing that first, better options and solutions become available. When successful organizations have built Guerrilla Workflow environments, they have adhered to these general themes:

- The entire production environment is addressed: To achieve a consistent and simple environment, it should be contiguous. You're tracking the flow of units from start to finish, so you need to address the entire environment. If workflow practices are disjointed with many dissimilar and separate processes, you lose tremendous amounts of efficiency. Plus, if you encompass your entire production environment, all aspects of what happens in that environment are addressed.
- Everyone is involved: Anyone involved with workflow should be accounted for in some way. That doesn't mean they need to interact with the system frequently or enter data, but their responsibilities should be acknowledged.
- There has to be clear accountability: Roles, responsibilities, goals, and deadlines must be clearly defined.
- Extreme visibility: Roles, responsibilities, goals, and deadlines should be very visible.
- Limited distractions: Distractions to the core business must be kept to a minimum.
- Must be easy to use: Most organizations aren't in business to operate software or fill out paperwork, so any new system must be quick and easy to use.
- Must be easy to deploy: Lengthy and arduous implementations are a distraction.
- Must be cost effective: Solution expenses should be light (especially upfront as that's when you know the least about the success of your process) and incurred over time so they don't hinder the organization.

An important aspect of Guerrilla Workflow is to collect and store the information tied to units and their movement. The idea is that if you have one set of information from a contiguous system, you can easily leverage it to the extreme for all necessary functions. For example: I had separate and dissimilar processes for exception tracking and funding reports. Each had a separate, and redundant, data repository (which was Excel spreadsheets). By utilizing Guerrilla Workflow, all of that data would have been in the same repository and would have been updated at the

same time as loans moved through the system. Most of the organizations that adopt this approach utilize some type of database or software. Since they are storing data in a centralized manner, they can start with cheaper options and then migrate that data when they expand.

How Does This Apply To My Bank

We are trusted to run organizations to the best extent possible. I had real issues that presented great opportunities to make my bank more competitive. Knowing what I know now, we could have made a real impact on our organization and significantly reduced expenses.

So, what do I know now that I didn't know then? I've spent the last three years researching the best practices for workflow management in lending environments (regardless of the size of the institution). I am dedicated enough to this concept that I started a company that develops workflow and productivity systems for financial institutions. Based on the best practices from around the world, we address the same loan workflow issues that I faced with strong results. Utilizing the concepts described earlier, I've found that a Guerrilla Workflow approach will help most banks:

- Close Better: In every Guerrilla Workflow environment I've observed, business is closed faster and better as the process is easier to navigate
- Reduce Expenses: Disjointed and redundant processes typically result in a 29% increase in workflow overhead
- Increase Controls: Enhanced visibility and accountability result in better controls
- Please Regulators: Efficient processes combined with better information and strong accountability reduce undesirable results and increase the quality of reporting
- Use Fewer Resources: Guerrilla Workflow environments are lean and focused by definition

Regardless of the size of your organization or the urgency of your issues, workflow inefficiencies can deceptively drain resources and slow revenue activities. Guerrilla Workflow is about focusing on what's important and where the action takes place, while leveraging all resources to their fullest extent. There are Guerrilla solutions out there for banks that are inexpensive with easy exit clauses, and I encourage you to give them consideration as they make an incredible difference. I hope you benefit from my journey and start to close better, reduce expenses, increase controls, and please your regulators with fewer resources!

About the Author

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