The Talk about Certification and Process Management

By Patti J. Dunn

A number of my recent conversations with individuals in our industry have involved phrases like: data security, physical security, encryption of data at rest, disaster recovery, redundancy, privacy laws – GLBA, HIPAA and on the list goes. These discussions have also included about various client requests/requirements, certification programs and process management/quality processes – SAS70, ISO17799, ACA's PPMS, Six Sigma, hybrid custom solutions, third party business reviews and other programs.

Among the factors driving these "*hot*" topics:

> ➢ As creditors have raced to comply with new government imposed regulations as well as to tighten security and fraud preventions measures, they have been challenged by regulators and their own leadership to address these same issues within their various vendor networks. They have recognized that certification processes and quality management programs they have instituted internally have reaped benefits and needed change. Therefore, an ever increasing number of creditors are seeking to use agencies that have or are willing to put similar management practices in place.

> ➢ Agencies are dealing with a rapidly changing environment of ever increasing competitiveness; fast growth; greater client requirements; new laws; innovative changes in telephony and technology. The need to compete, while controlling/ reducing costs and staying abreast of the latest – new collection software, new telephony solutions -- in a growing industry, is pressuring accounts receivable management organizations to find better, more disciplined approaches to managing their businesses.

Setting aside the client requirements for a moment, perhaps, the best reason for some form of process review maybe simply, to improve your organization's performance and the all important bottom line.

Central to process management programs is defining and measuring what you are doing in a detailed and meaningful way, then, analyzing the data to find improvements and control processes going forward. It is a systematic way to get at root causes of why defects are occurring and eliminating them. A process control methodology should apply not only to existing processes but to new technology or other product acquisitions as well.

Procedure documentation, exceptions tracking, measurement and review should apply to all areas of the company not just call center operations. Other areas, for example, are employee pay programs, training, vendor selection and pricing, client services, payment processing, cost accounting, etc. Individual client costs and profits are examples of areas

that should have measurements in place that include historical trends and should be reviewed for opportunities on a quarterly, if not monthly basis…. Are there opportunities to increase revenues by increasing efforts or decreasing costs? Another area that is sometimes overlooked is vendor reviews….Are the vendors you are using giving you the best volume discounts possible as your volumes with them have grown? It is interesting to think about efficiencies that, in some cases, cross company lines. You, your vendors and your clients may be able to assist each other to reduce costs by eliminating unnecessary or repetitive tasks at your respective companies.

Whether a credit grantor or accounts receivable provider, I know we can all tell many tales that support the need for process and quality management systems. In over 20 years of auditing and working with agencies as a credit grantor, one of the most consistent issues was the same mistakes by the same agency occurring over and over again. The problem would be solved and then inexplicably return sometime later and that cycle would be repeated over and over. This type of issue was regularly attributed to changes in personnel and no written work procedures. These repetitive errors as we all know cost money, clients and profits.

Even with the tremendous growth that we are experiencing within our industry, it is still surprising how often we see organizations that do not have documented work flows. Even in large call centers, many do not have scorecards or measurements/standards for quality, productivity and performance beyond dollars collected. Frequently organizations I encounter have just "single point in time reports" but not trend and historical tracking to recognize patterns occurring over time.

All of us recognize that mistakes are made and that things are not always going to work as they should be within our companies. One of the strengths of process management, if implemented as part of the operating culture of the company, is *root cause analysis*. This means digging deeper into issues as they arise and asking "why". Is it skiptracing?...Is it the letters?...Is it staffing levels?...Is it the characteristics of the accounts? Through this root cause analysis, problems are solved for the long-term.

As an example of this type of analysis, a number of years ago we had deterioration in bad debt recovery at the creditor company I worked for. The initial reaction was, "it must be the collection agencies or strategies we are using". Through a process of asking why, we were able to attribute the deterioration statistically to issues not initially considered, these included increased bankruptcies, fewer accounts with good phone numbers, and higher average balances. The reasons for these items were also researched and documented. Drilling down for the root cause of why recoveries were dropping resulted in a much different answer than the initial assumptions.

The trend with creditors over recent years is to reduce the time an agency has to "prove" performance. This limited timeframe requires that accounts need to be activated and workflows maximized to proceed as smoothly and efficiently as possible. This is where process management can help make sure efforts are occurring according to plan and errors are minimized.

Peter Drucker, the noted management expert and author, in one of many articles he has written for the Harvard Business Review (September-October, 1994) titled "The Theory of the Business", suggests that a business should challenge *everything* top to bottom on a regular basis. This process he refers to as preventive care. He also talks about recognizing early warning signs that you need to examine your business' direction immediately. Those signs are: attaining all your existing objectives; rapid growth (doubling or tripling in relatively short period of time); unexpected success – your own or a competitor's and conversely, unexpected failure – again, yours or a competitor's. Even after 10 years Mr. Drucker's observations support the discussion currently occurring in our industry regarding the need for disciplined review, documentation and continuous improvement processes.

Whether required by a credit grantor to attain certain certifications or should you decide to undertake a certification program or adopt a process management system based on principles of one or several of these approaches, the benefits could be as follows:

➢ *Reduce* "firefighting" which generally results in short term, not root cause fixes being put in place that, therefore, result in reoccurrence of the issue.

➢ Improved documentation of processes, procedures and work directions resulting in increased data security; reduced errors, training time and *costs*.

➢ *Proactive* redesign and reengineering of your processes, tools and technology to stay ahead or with the competition.

➢ Improved measurements resulting in improved *performance* for clients and most importantly, your company's *profit* margin.

If implemented and practiced according to the underlying principles, the benefit of process management should be a stronger more innovative and competitive organization with increased *value* for **your Clients** and, ultimately, for **you and your Company**.

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