

# Expanding CDFI Coverage in Underserved Areas

## Expansion Strategies: Operations, Technology, and People

Expansion by Existing CDFIs  
Kansas City, Missouri

August 20, 2015



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## Overview

- Planning for Expansion: Business Model Canvas
- Operations: Lending Life Cycle
- Technology: Supporting Expansion
- People: Aligning Organizational Culture, Leadership, and Performance



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# Planning for Expansion: Business Model Canvas

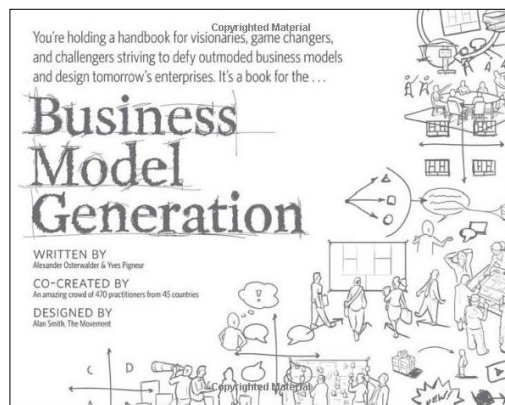
- A key strategic tool for expansion: Business Model Canvas
- A **business model** describes the rationale of how an organization creates, delivers, and captures value.
- The **business model canvas** is a strategic management and entrepreneurial tool. It allows you to describe, design, challenge, invent, and pivot your business model.



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# A Business Model Handbook



From Business Model Generation  
By Alexander Osterwalder and  
Yves Pigneur (2010)



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## The Business Model Canvas

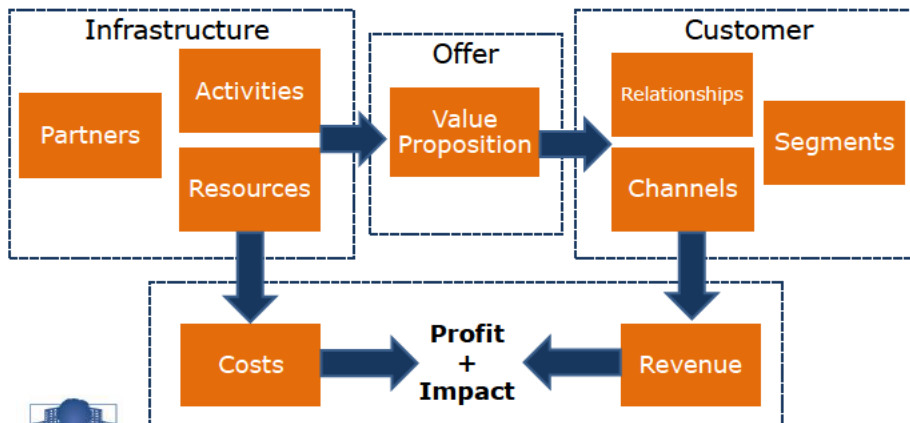
The Business Model Canvas can help you to identify and connect the dots between:

- Your **most important** customers
- Your value proposition in the marketplace
- Your infrastructure
- Your bottom line – financial and impact



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## Business Model Canvas



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## Focus on the Customer

*Customers don't care about your solution. They care about their problems.*

*Dave McClure, 500 Startups, cited by Ash Maurya, Running Lean*



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## Focus on the Customer

Two most important questions:

1. What customer problems are you solving?
2. Who are your most important customer segments within the context of your strategic expansion priorities?



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## Focus on the Customer

What customer problems are you solving?

1. Is it something customers want? (Must have)
2. Will they will pay for it? If not, who will? (Viable)
3. Can it be solved? (Feasible)



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## Focus on the Customer

- Who are your customers now?
  - What do you know about your current customer base?
- Looking forward, who will be your most important customers:
  - Identify your key customers within the context of your expansion strategy
  - Who will you create value for?
  - What impact will it have on them and on you?



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## Focus on Your Most Important Customer

Looking forward:

- Who will **not** be your most important customers?
- Resource allocation – Focus time and money on your most important customers
- Partner referral - Quickly direct non-priority applicants to partners



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## Customer Exercise: Who/What/What

- **Who** are we trying to get the attention of?
- **What** problems are they trying to solve?
- **What** do they think about us now?
- **What** do we want them to think about us?
- **What** do we want them to do?



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# Value Proposition

*While ideas are cheap, acting on them is quite expensive.*

*Ash Maurya, [Running Lean](#)*



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# Value Proposition Definition

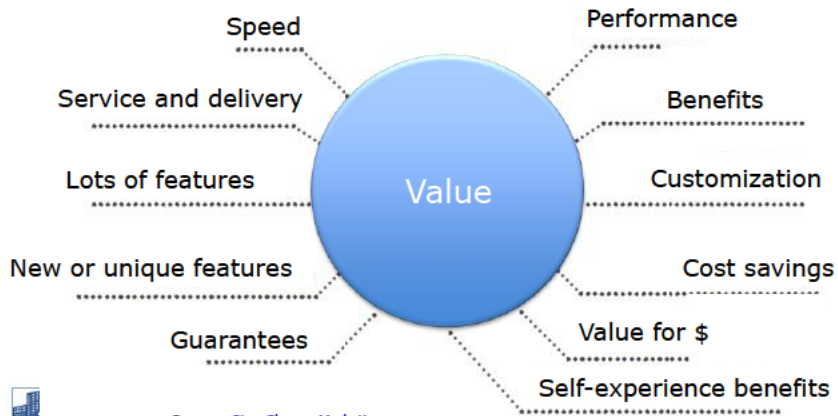
- A value proposition is a **positioning statement that explains what benefit you provide for whom and how you do it uniquely well**
- It describes your target customer, the customer problem you solve, and why you're distinctly better than the alternatives



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## Value Proposition: Creating Value



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## Value Proposition and Expansion Opportunities

- Think from the customers' perspective
- Create expansion opportunities
- An example: Online lenders
  - Customer problem: high opportunity cost to apply for traditional loan, frequent turn-down
  - Online lenders' solution: easy application, fast loan decision and funding

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## Expansion Grid: Online Lenders

<p><b>Eliminate</b></p> <p>Long wait for decision Cumbersome application process</p>	<p><b>Raise</b></p> <p>Loan fees, interest rates Loan volume Loan default rates</p>
<p><b>Reduce</b></p> <p>Wait time for a loan decision Delayed loan closings Operating expenses for lender</p>	<p><b>Create</b></p> <p>Fast turn-around time on loan decision and funding Use of search engines to find customers</p>



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## Value Proposition

- Connect the dots with your value proposition
  - Your most important customer
  - The customer problem you are solving
  - What you offer in the marketplace



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## Elements of a Value Proposition

- **For** (target customers)
- **Who are dissatisfied with** (the current alternative)
- **Our product is a** (new product)
- **That provides** (key problem-solving capability)
- **Unlike** (the product alternative)



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## Value Proposition: CDFI Example

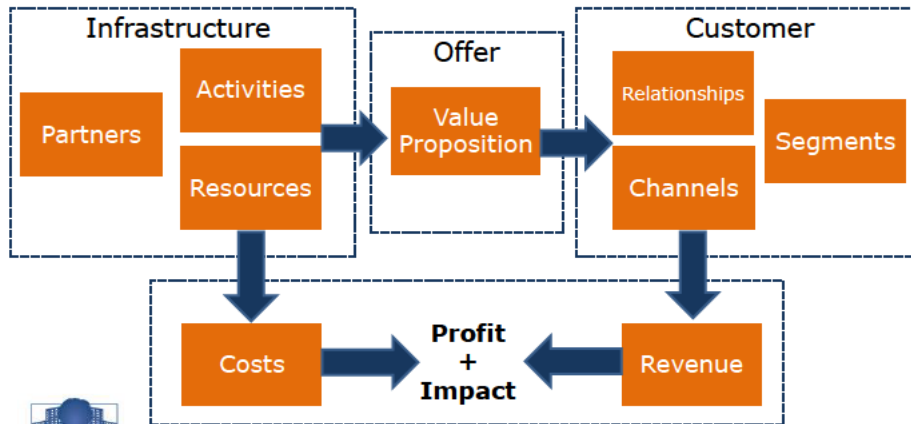
- **For** low-income, low-wealth people of color, immigrant communities, and women
- **Who do not** have access to a bank loan
- **Our product** is small business loans with longer terms
- **That provide** affordable repayment schedule
- **Unlike** mainstream banks



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## Business Model Canvas



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## Operations: Lending Life Cycle

- Identification of pain points in your Lending Life Cycle
- Process mapping to identify solutions



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# Operations: Lending Life Cycle

*"Waste is any human activity which absorbs resources but creates no value."*

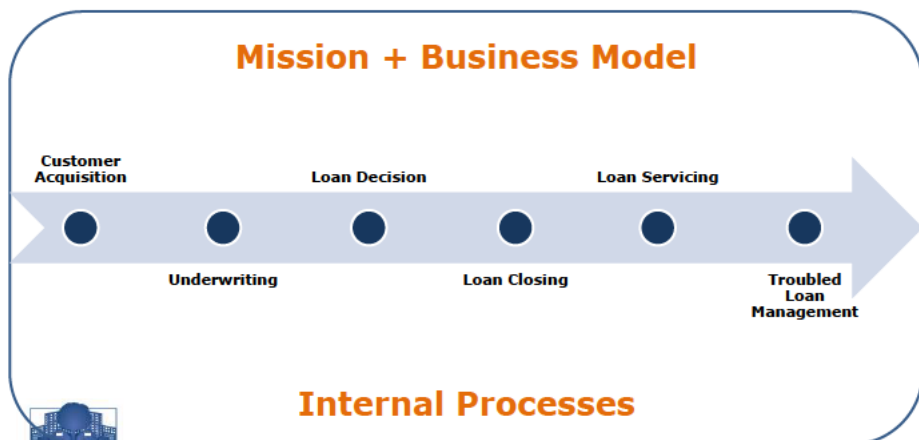
Womak and Jones, *Lean Thinking*



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## Lending Life Cycle



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## Operations: Lending Life Cycle

Identification of the pain points

- Lending Life Cycle
  - Where are the pain points?
  - Tool: Dots exercise



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## Exercise: Lending Life Cycle Assessment

Mark each step of your Lending Life Cycle with a colored dot:

- A **green** dot for strong, supports growth in lending
- A **yellow** dot for mixed performance, needs some work to be able to grow lending
- A **red** dot for needs serious work, impedes growth in lending



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# Operations: Lending Life Cycle

Fixing the pain points:

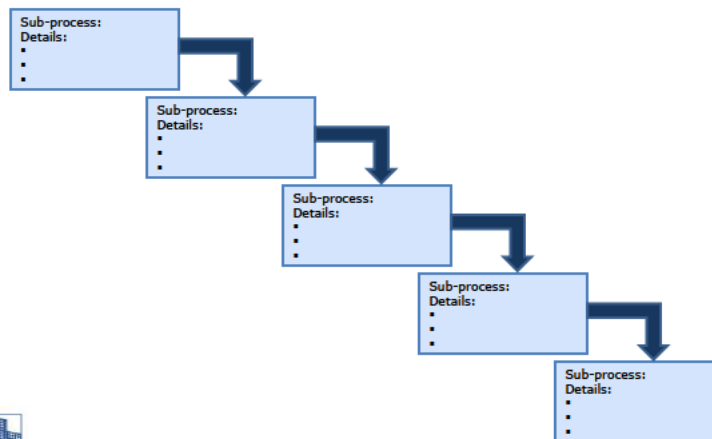
- What are the solutions?
- Tool: Process mapping exercise



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# Process Map For \_\_\_\_\_



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## Exercise: Process Mapping

- Choose stage of the Lending Life Cycle to process map
- Identify primary activities in stage, estimate time/resources needed to accomplish each activity
- Develop +/-delta analysis of each primary activity, identify an action step to address each barrier



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## Operations: Lending Life Cycle

Setting Lending Life Cycle process goals:

- Time: How much time should each stage take?
- Staffing: What hours and key capacities?
- Deliverables: What key deliverables will you measure?



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## Operations: Lending Life Cycle

### Cycle Time



- Lead to application
- Application to underwriting
- Underwriting to closing

### Input/Output



- Cost per dollar lent or per loan made
- Customer satisfaction
- Conversion rates



FIELD at the Aspen Institute

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## Technology: Supporting Expansion

- Using technology to solve problems
- Technology and the Lending Life Cycle
- Evaluating technology based on expansion goals



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## What is Technology?

“The science of the application of knowledge to practical purposes : applied science”

– Merriam Webster

“The purposeful application of information in the design, production, and utilization of goods and services, and in the organization of human activities”

– Businessdictionary.com



Read more: <http://www.businessdictionary.com/definition/technology.html#ixzz26Gx5KkmB>

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## Technology: Supporting Expansion

### Technology

- What problem could be solved using technology?
- How can current capacity be improved?
- What investments are needed for future growth?

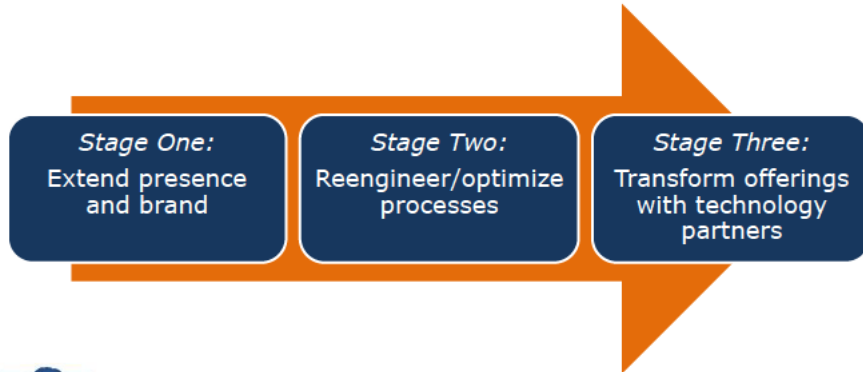


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# Technology: Supporting Technology

Technology is an ENABLER of expansion goals:



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# Technology: Supporting Expansion

## Technology and the Lending Life Cycle

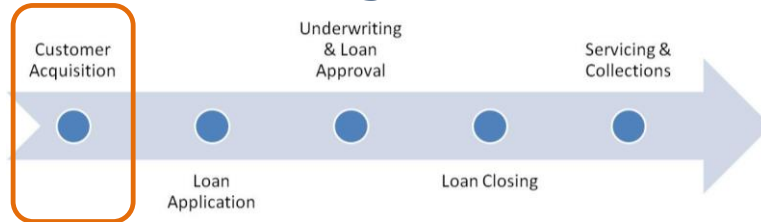
- Using technology to create efficiencies in the lending process



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## Technologies to Improve the Lending Process

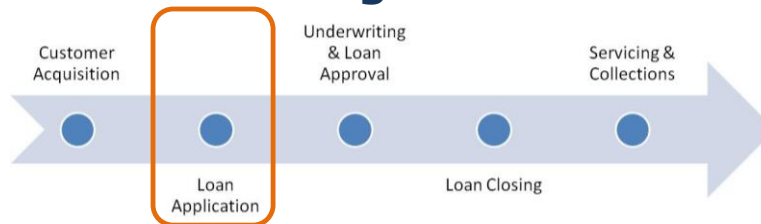


- Social media for marketing
- Customer Relationship Management (Salesforce, Artoo)
- Interactive Voice Response (IVR)
- On-line lead generation (Google ads)
- Search Engine Optimization (SEO)
- Text messages



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## Technologies to Improve the Lending Process

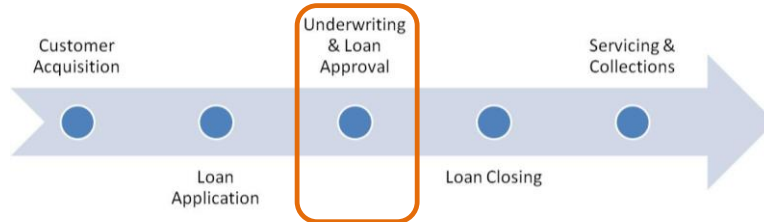


- On-line loan applications
- Using tablets, mobile phones, cameras, scanners, etc. to gather loan application info/documentation



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## Technologies to Improve the Lending Process

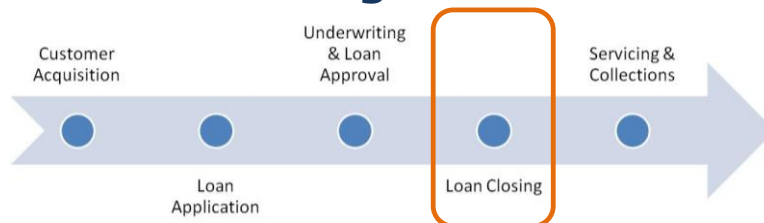


- Credit evaluation grids
- Statistical scoring
- Use of alternative credit data (Demyst Data, Cignifi)
- On-line pulling of credit reports
- Loan committees vs. staff approvals



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## Technologies to Improve the Lending Process

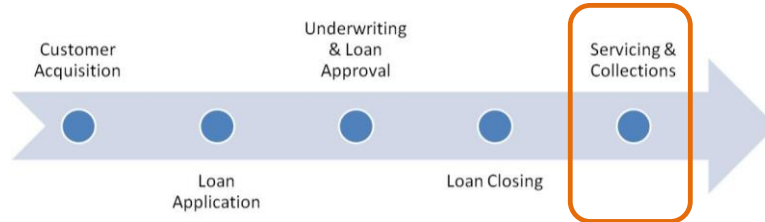


- Outsourcing of document preparation
- Prepaid cards
- Electronic signatures (RightSignature)
- Partnerships for loan closing meetings



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## Technologies to Improve the Lending Process



- Outsourcing
- Mobile (payment reminders, provision of TA: InSight)
- Reporting to credit bureaus – (CBA)
- Payment processing - (prepaid cards)
- Loan servicing software



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## Technology: Supporting Expansion

- Extend presence and brand
  - Website message and ease of use
  - Search engine optimization
- Re-engineer / Optimize processes
  - Training and use of existing technologies
  - Integration of existing technologies
  - Process mapping: Can we cut out or combine steps? Can we outsource non-core competencies?
- Transform offering with technology partners
  - Referral platforms
  - On-line and on-demand support resources
  - Offer new products via technology



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## People: Aligning Organizational Culture, Leadership, and Performance

- Organizational Culture
- Talent Management
- Leading Successful Change



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## What is Culture?

- The shared VALUES, BELIEFS, and PRACTICES that guide the actions of its members
- Culture can either support or hinder growth, innovation, and performance



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## What Does Organizational Culture Do?

- Tells new hires who you are, what you value
- Guides behaviors and interactions of employees
- Determines how we treat customers and prospective customers
- Profoundly affects “performance” – financial and impact



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## Linking Organizational Culture with Expansion Goals

- What is your culture today?
- What culture is needed in the FUTURE to achieve your expansion goals?
- What can be done to shift the culture to this new vision?



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## Talent Management

- Do we have the right people, with the right skills, in the right jobs, at the right time?
- Are they engaged in the mission, values, and culture of our organization?



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## Employee Life Cycle



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## Employee Life Cycle

Life Cycle Stage	How effective are we now?	How important is this to our mission and expansion strategy?	How might expansion affect what we do?	What actions should we take to advance our approach?
Attract & Recruit				
OnBoard & Train				
Retain & Develop				
Motivate & Challenge				
Succession & Transition				



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## Leading Successful Change

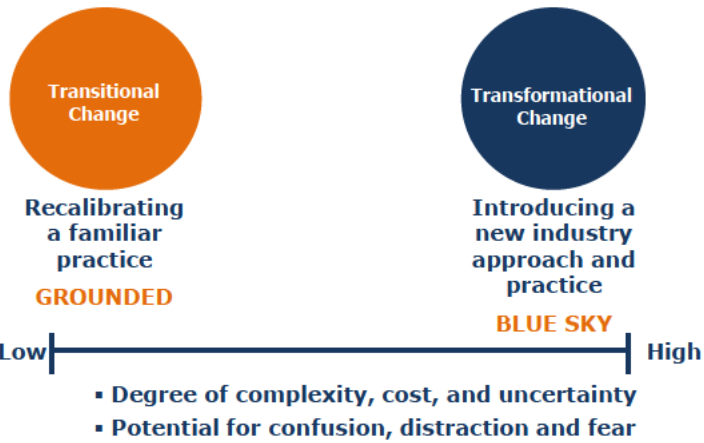
In your experience, what percentage of change initiatives **fail** to achieve their intended goal?

- a) 25-50%
- b) 50-75%
- c) 75% or more



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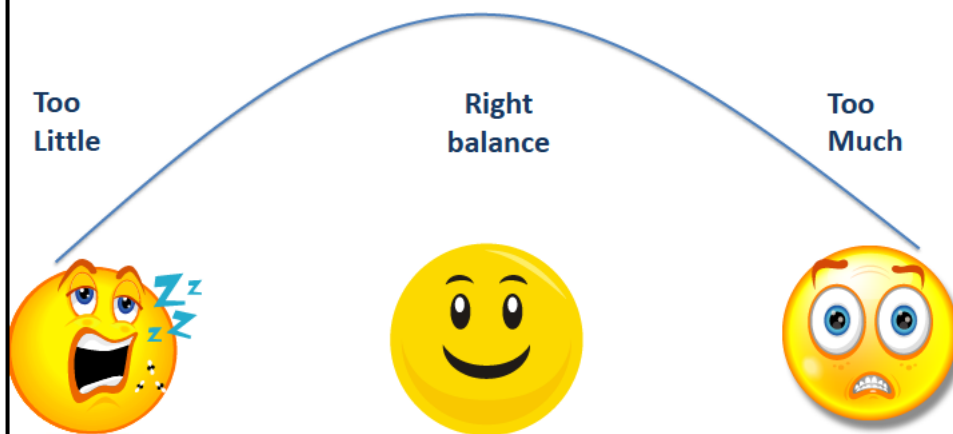
## Type of Change



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## Capacity to Handle Change



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## Leading Successful Change

- Focus on the behavior you want from people
- Design the work environment to foster those behaviors



\**Leading Successful Change*, by Gregory Shea and Cassie A. Solomon

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## Questions?



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