

Airfinance Annual

2016/2017

www.airfinancejournal.com



AIRFINANCE
JOURNAL

Making technology (truly) work for you

Joey Johnsen, principal at Zeevo Group, explores the unique technology demands of the aircraft leasing industry.



We have all been there – a customer, supervisor, auditor, investor or bank – they all need information and they need it now. You may have just received a request from marketing for 52 technical specifications, or for the owned and/or current maximum takeoff weight (MTOW) on a portfolio of aircraft. Maybe you need to determine which aircraft your contractual engines are attached to and if it is appropriate to reimburse the reserve claim that has just come in from a lessee. Perhaps your company wants to sell a group of aircraft and you have been asked to forecast all future maintenance events for the next three to five years, not to mention potential reserve payouts, possible lessor contributions and any other financial obligations. What happens next is... panic! And it could be hours, days or weeks before you can deliver on that simple request.

The aircraft leasing industry is more complex and nuanced than other industries, which is why every facet of aircraft leasing requires industry knowledge and experience. There are contracts, records, technical specifications, financial statements, appraisals, utilisation, rental payments, debt payments, forecasting, maintenance reserve reimbursements and reserve balance management. There are components, capabilities and entitlements to track (MTOW, thrust, winglets), life-limited parts (LLPs) to price, and more.

Generalist service providers will have you believe they have all of your needs covered; only an industry

specialist, who has been there and done that, can give you the certainty when it comes to optimising processes, designing and implementing internal controls, designing and implementing systems, and extracting, transforming and loading data into reporting systems.

Some companies have integrated systems – others have what has become a *frankensystem*. Regardless, both the integrated systems and the *frankensystems* have limitations when it comes to accessing the right data and information at the right time. Irrespective of whether you have an integrated system, a *frankensystem*, or something in between, you likely have a recognised need for improved information management.

It is likely that your current teams with their full-time day jobs do not have the time or the tools to get you out of your current situation. You need to become more responsive to your internal and external customers or risk falling behind.

Some of the most common issues lessors face today include:

- embracing the available technology;
- understanding (and documenting) business processes and requirements;
- mastering data analysis with business intelligence, reporting and analytics that empower the decision-making process;
- training team members;

- hiring dedicated application support/business analysis team members; and
- periodically assessing technology needs.

In the near term, there are a few things you can do to minimise your current limitations:



Embrace technology

Contract and asset management systems for aircraft leasing can be powerful when you are sitting at your desk and are familiar with the menus and screens that help to get the information needed. However, it is a different story if you need a custom report, data dumped to Excel and easily pivoted, or access to that data on-the-go from your mobile device.

Members of technical and marketing teams are travelling the globe – closing deals, transferring or repossessing aircraft. Whether on the road or in the office, they need tools and reporting systems that function in any environment. An often-heard sentiment from travelling professionals who are used to fast and pervasive network connectivity is: “Have you tried to use the internet from far flung places with limited connectivity?”

Your technical or contracts teams might be in their comfort zone running around from office to office with a clipboard, checking off boxes as to whether a task is complete.

But if you want them to free up time to focus on strategic parts of your business and enhance your internal controls you might consider an easy-to-implement, configurable workflow tool that will automate task management and related approvals. Defined workflows ensure better operational risk management and enable you easily to manage clients, tasks, reimbursements, schedules and projects in real time, from anywhere in the world, for maximum efficiency gains.

Your treasury team might be accustomed to managing cash from a spreadsheet, but it should not take all day to determine your cash position. Wouldn't it be nice to have multiple views of your cash positions without having to create pivot tables, linked workbooks and VLOOKUPS (an Excel database/list function)? Dynamic cash position tools allow you to have multiple views and assist in optimal funding and investing decisions with the click of a button. Faster and more efficient cash reporting frees up your treasury team to focus on more strategic tasks.

The status quo for many accounts receivable teams

is manually logging into each bank account daily – or multiple times daily – to check for and apply payments. Imagine the time that can be saved by connecting each of your bank accounts to an integrated cash management system so that they can be managed from a single, integrated system.

Executing the best deal when placing a new or used asset, or selling, consigning or parting out an end-of-life asset, requires a full picture of an asset's current state and all of the prospective deals on offer.

Leading lessors benefit from a central, technology-enabled collaboration tool/repository to record the relevant asset leasing, pricing, resource assignments and sale, consignment or part out information for each prospective deal. Similarly, cross-functional teams can see the status of each prospective deal as it steps through an automated asset placement workflow.

Your new deal is negotiated and walked over or emailed to your legal department for finalising. World-class legal and marketing teams collaborate online through the use of automated workflows and approval tools to track the status of a deal through the legal documentation process to signed agreement(s). Similarly, with the click of a button they can display the status of an asset on their fleet summary so there is never any doubt about the current status of any asset or deal.

To be successful in your organization, your technology-enabled solutions need to integrate easily with each other, and with other industry-leading solutions such as DocuSign, various CRM tools, document management systems, and more. Integrated solutions improve your teams' agility, internal control and also enhance engagement.

Your customers, managers and teams increasingly want to see enhanced data, reports and analyses. On-demand dashboard analysis personalised by each user and available on all devices (eg, iPad, iPhone, Android, Microsoft Surface, Windows phones, laptops, desktops) is the new normal. Your competitors have the ability to do a deal on the road using a mobile device, or track all relevant information related to return/delivery schedules by date or resource electronically. This includes real-time project schedules and status notes, or assisting a customer with fleet planning by touching an airport on their device and viewing a range circle by aircraft type – you should have the same.

Investing in information technology should be a strategic plan for your company. There are many options for software, including software as a service (SaaS)/cloud-based options available in areas such as technical and asset management; contract management; maintenance reserve fund management, workflow management, contact management, and reporting and analytics. Subscription-based services can provide hosting, enhanced internal controls and better functionality with a lower total cost of ownership.

By embracing technology, you can optimise decision-making, minimise risk, enhance control and increase your overall operational productivity. All technology has a learning curve, but the time spent implementing industry-specialised technology yields exponential benefits.

Understand your business processes and requirements

The better your processes are, the less you need to think about and focus on the non-strategic parts of your business. Lessors realise twice the business value from systems with high end-user adoption than from poorly adopted systems. The most effective way to ensure that end-users adopt and embrace your systems is to incorporate their needs early in the design phase of the project.

To get the highest value from information technology, a thorough understanding of your business processes is essential. We all know of companies and people who buy technology and then force their business processes to fit the technology. Companies that make the most of their technology start by understanding and documenting their business processes and requirements first and then finding the technology suited to them – they did not buy technology and force their processes to fit the vendors' idea of how a business process *should* work.

If you find yourself continuously thinking about replacing your contract and asset management system, it is time to invest in documenting your process and requirements. Work with your vendors to match existing or planned functionality with your company's business process needs.

This might include:

- creating process flow diagrams;
- preparing risk and control matrices;
- authoring narratives, including functional requirements documents; and
- drafting policies, procedures and other process-related documents.

And much more. With a thorough understanding of your business processes and requirements, you can help your organisation quickly prioritise, align and mobilise its resources.

Master data analysis

Mastering data analysis can help your business generate higher margins, maintain internal control and gain a meaningful competitive advantage.

The cost of computer hardware and cloud services continues to decrease, so it seems that the human element stands in the way of companies being more data- and dashboard-driven. To keep up with the competition, analytical skills must be developed in all of your people, not just a few professional data analysts.

Data analytics is often misunderstood as mere descriptive analysis (what is). The real value lies in predictive (what will be) and prescriptive analysis (what should we do?). Predictive analytics and prescriptive analytics provide actionable insights for lessors.

Leasing companies are looking to increase their competencies in these areas to provide value to their organisations and to their customers. Predictive analytics integrates data from various sources (such as account and general ledger systems, contract and asset management systems, treasury management, purchase order and customer relationship management systems) to predict future outcomes.

One of the most common applications of predictive analytics is the forecasting of future maintenance events to determine the remaining reserve balances at the end of the lease. Prescriptive analytics uses a combination of sophisticated optimisation techniques to suggest the most favourable courses of action to be taken.

The skills that you and your team need differ depending on whether you will produce or consume information. Analytics production includes sourcing relevant data and performing analyses. Analytics consumption is using the insights gained from analytics in decision-making. In the same way that a satisfied diner does not know exactly how the chef prepared the inflight meal, you do not need to become a data scientist or computer engineer to benefit from business intelligence and enhanced analytics!

Train your teams

Companies often install new technology without properly training employees. Whether it is a mobile phone, a contract and asset management system, or a Microsoft product such as Excel or Outlook (have you discovered the wonders of Microsoft Quick Parts?), most people use less than 20% of the functionality of those products because they have not been properly trained.

Lack of formalised training keeps professionals from leveraging the full productivity available to them from the tools they have at their disposal. Zeevo Group keeps its employees up to date with a lean, internal back-office technology team.

According to John McCartney, Zeevo Group principal: "The decision to have a small internal help desk team is supported by our internally created learning centre, an online, on-demand resource where employees can get answers to their IT-related questions. In addition to on-demand classes, employees have user manuals and access to vendor-specific guides and videos to aid in the learning process."

While the initial training provided by your vendors may have served its initial purpose, getting new hires up to speed on your applications is key to continued success. Creating content-rich training programmes that can be delivered on the ground, or remotely over the web for geographically dispersed locations may enhance productivity and user engagement.

Hire dedicated application support/business analysis team members

No matter your fleet size or headcount, you need to have someone in-house who can handle application support.

If your firm is too small to employ a full-time support team, make sure you have someone on your internal team who is technically minded and can work with outside consulting firms and software vendors when problems arise.

Your application support/business analysis team members identify, develop and test requirements and information management needs across your business process and information technology domains. They are crucial when selecting new solutions, enhancing existing processes, executing your strategy, planning for upgrades, addressing your backlog of user requests and

documenting your requirements for unmet business and technical needs.

Periodically assess your technology needs

Data volumes are growing at an annual rate of 60%, but the buzz about Big Data often forgets to mention the reality that, as the volume of data explodes, it becomes harder, not easier, for knowledge workers to make sense of it. Almost two-thirds of them lack the skills and judgment to exploit information. Paradoxically, as companies amass more data and spend more on analytic tools, they face a growing insight deficit. If this deficit is not overcome, greater access to information and analytic tools may do more harm than good².

It is important to review your information management and technology needs periodically to realise IT enablement opportunities related to business intelligence, collaboration and customer interfaces.

If your current strategy is to postpone needed technology refresh investments, you might be headed toward significant increases in maintenance costs and decreases in infrastructure reliability.

A regularly scheduled review and technology refresh will help keep your data secure, to identify your technology weaknesses and to make certain your team is adequately enabled to deliver on your vision. A number of cloud-based services exist that allow users to store files online where they can be accessed from multiple devices or even shared with colleagues or customers. This is immensely helpful if you are looking for a way to transfer files between computers, access important documents from your PC on your phone, or share items with your contacts. But wait. Did you and your team members who created those free accounts read the terms of service? It is important to know who owns the information after it is uploaded to the cloud.

A technology refresh results in a roadmap that can help fulfil a number of goals. It provides visibility into upcoming investment needs and identifies cross-technology implications of migrations (eg, your planned upgrade of the general ledger package may impact your current contract and asset management system). It can also highlight foreseeable risk scenarios (for which you can plan risk mitigation strategies).

According to Karen Curtis, Zeevo principal and former ILFC³ information technology executive: “No lessor wants to be in a position where they are providing a current or prospective lessee the wrong MTOW or availability date.

“Similarly, lessors do not want to be in a position where they are notifying a lessee of a potential repossession due to a payment default, only to find out their accounts receivable data was not up to date. In order to maximise or even maintain your market position, it is important to stay on top of your game when it comes to technology, data and information management.”

Keep in mind, the same people who were involved with getting you into your current situation may not be best suited to get you out. It may be time to turn to experts to help identify, develop, and test requirements and information management needs across business processes and information technology domains.

Take the next step

The next time you receive that mountain of data requests, there is no need to hit the panic button. Instead, click on your new technical portal to generate the technical specifications you need. Take a look at your newly designed fleet summary report to get the most updated owned and/or current MTOW on a portfolio of aircraft. Login to your workflow tool to check the status of your lessees’ reserve funds and related claims. Deliver the results and your team is on its way.

The cure for panic is confidence, and confidence comes from having an integrated technology system designed for your industry. As your dad used to say, any job is simple if you have the right tools. Your newly designed (or refreshed) approach to making technology *truly* work for you will not only make your job easier. It will make your company more responsive to change, more connected with customers, more efficient and, ultimately, more profitable. Across continents, business units or systems, you are clear for takeoff on reaching your goals and achieving your vision. ■

In brief

- **embrace technology:** integrate your systems, enable remote connectivity, and remember – a checklist is a start, but it is not a workflow;
- **document business processes:** a documented understanding of business requirements will help match your needs to a system’s functionality;
- **master data analysis:** deliver the right information at the right time to run the business;
- **train your teams:** create training programmes that can be delivered on the ground, or remotely over the web;
- **hire dedicated application support:** internal resources for managing application support and business analysis will put you ahead of the curve; and
- **assess technology needs:** provide visibility into investment needs and identify cross-technology implications of migrations.

Joey Johnsen is a principal with Zeevo Group LLC in Seattle, Washington. She holds a master of business administration degree focused on technology management. She is a certified information systems auditor, certified in the governance of enterprise information technology, a project management professional and a licensed certified public accountant.

¹Tschakert, Norbert; Kodina, Vasarhelyi, Miklos (2016). *The next frontier in data analytics. Journal of Accountancy*, 58-63

² *Information Management. IT Fundamentals. CEB CIO Leadership Council, page 2 [PDF file]*

³As of May 2014, International Lease Finance Corporation became AerCap



Delivering Technology That Truly Works For Your Business



Technology is the backbone of today's competitive advantage. Leveraging the right technology optimizes decision-making, minimizes risk, enhances control, and increases overall operational productivity.

Our team comprises practitioners with extensive experience in aircraft leasing and a proven track record in developing solutions that are implementable, scalable and sustainable. Designing solutions more broadly and thoroughly than a typical *IT firm*, our professionals and network of alliances can help you become more decisive and more responsive to change, in a much faster and more profitable way. Across continents, business units or systems, our team is prepared to enable your teams to achieve your vision.