

Chapter 3: Core Business Policies and Practices

Section D: Operational Efficiency

Introduction

An emerging component that can affect an ECA's relative competitiveness is its ability to provide effective and efficient service to its customer base, particularly in terms of response time on pending transactions. As ECAs' programs and features more closely converge on the core financing elements and program features, opportunities for competitive distinctions have diminished, leaving the quality of customer service (and all that this entails) as one area where differences can yield either a positive or negative outcome, depending on which side of the table one sits. Consequently, ECAs – especially the European and Canadian agencies that have a more commercial orientation -- have devoted varying degrees of effort in recent years to differentiate themselves based on the quality of customer service. The level of interest in operational efficiency by ECAs is evident in what, how and to what degree ECAs have modified their operating philosophies, procedures, processes and organizational structures.

Hence, this new Chapter to the Annual Competitiveness Report summarizes the efforts undertaken by the major ECAs and compares Ex-Im Bank initiatives with those of our major ECA counterparts. The findings are based on data generated by a Berne Union survey of ECAs regarding "operational efficiency." A copy of the survey template is attached as Appendix L.

Operational Efficiency and ECAs

In addressing operational efficiency within the context of the G-7 ECAs, certain assumptions need to be made with regard to their collective objectives. Specifically, ECAs:

- As official government entities, have limited budgetary resources for human and support capital (systems, physical plant, business development expenditures);
- Have statutory, regulatory, and national interest factors to adhere to or consider; and
- Must meet certain institutional goals and objectives.

Within this framework, ECAs must balance and allocate their limited resources using a variety of means/tools and capabilities to fulfill their stated missions. Thus, even though ECAs have different philosophical and national interest objectives (as discussed in Chapter 2B) and deploy different strategies to meet these objectives, the fundamental challenge is the same: do the best that you can with what you have, and always be looking for alternative approaches that leverage and maximize your resources.

Over the past several years, ECAs have begun to focus more intensely on achieving greater operational efficiency as a way to provide improved customer service. With respect to Ex-Im Bank, a key reason for focusing on operational efficiency as a competitiveness factor is based on Ex-Im Bank's desire to provide comparable and competitive response time on transactions for its customers. Hence, this chapter attempts to evaluate steps taken by Ex-Im Bank to

address this concern, the impact on exporters' competitiveness, and compare Ex-Im Bank with our major competitor ECAs.

G-7 ECAs: Operational Efficiency

As **Figure 8** illustrates below, each G-7 ECA has recognized the importance of operational efficiency in varying degrees and each has implemented strategies and measures to improve in this key area and the multiple components comprising "operational efficiency." (It is interesting to note that many of the non G-7 ECAs have also demonstrated considerable attention to the issue of operational efficiency for customer service and risk management reasons.) While not all of the G-7 ECAs conduct formal and routine customer service surveys, they all make the effort to solicit the views of their customer base. In addition, the use of metrics by the ECAs seems to range from the extensive, very formal (ISO certification) to the "limited in scope but measurable" metrics. In this regard, customers in the G-7 countries seem to be concerned about:

- Information requirements for applications and related documentation;
- Case decision making and claims processing response time;
- Better on-line access and information from the ECAs via websites; and
- Staff knowledge and resourcefulness.

In response, the most common metric developed by ECAs concerns response time on case processing, decision making and claims resolution. In addition, ECAs have for the most part evaluated the problem areas and have instituted remedies designed to alleviate the most important efficiency aspects. Many of these efforts appear to have been moderately successful. In particular, the most common initiatives undertaken include:

- Implementation of new on-line, automated information technology/case processing and risk management capabilities – some fairly sophisticated and comprehensive, while a few are either in the systems development process or are limited in capabilities/functionality;
- Reorganizations of units or entire organizations; and
- Improved websites.

Almost all of the G-7 ECAs reported complaints from customers regarding slow response time, but none reported any confirmed lost sales as a result of slow response time. Finally, while both quality (e.g., sound underwriting and/or adherence to legal or policy requirements) and quantity (e.g., speed of response, volume of cases processed) are important to the G-7 ECAs, quality is clearly the more important focus with speed of response a secondary factor. Ideally, the ECAs want to meet each criterion fully, but recognize that the dominance of quality is critical to their organization's stature, reputation, and financial credibility.

Ex-Im Bank vs. G-7 ECAs

Ex-Im Bank's competitive position on operational efficiency would seem to be consistent with the typical ECA, while a few ECAs who have devoted years to enhanced customer service. Ex-

Im Bank is in the process of developing an on-line case processing capability for short and medium term transactions with a particular emphasis on providing expedited decisions for small and medium sized enterprises. EDC and SACE, on the other hand, have comprehensive systems in place, which have proven to be very effective in achieving their customer service goals, particularly with regard to timely responsiveness to cases and inquiries. A primary objective of Ex-Im Bank's recent reorganization is to accomplish similar goals. For example, Ex-Im Bank has established strategic account relationships with key exporters and lenders designed to provide close cooperation and a comprehensive understanding of the customers' needs. In the claims processing area, Ex-Im Bank contracted claims review services which have reduced the backlog of pending claims, allowed for a faster review and claim decision process, and enabled asset management staff to focus on the final review and address underlying claims issues. In 2003, Ex-Im Bank also re-designed its web site to improve customer and public access to information. Finally, Ex-Im Bank acquired the services of a process engineering firm to evaluate the medium-term case processing system and to identify areas for improvement.

Exporter and Lender Focus Group Comments

Participants in the focus group meetings expressed concern that Ex-Im Bank provides slower customer service in the medium- and long-term area than that provided by the Bank's G-7 counterparts. The participants expressed a belief that Ex-Im Bank's "slow processing time" may be a function of one, several or all of the following factors: inefficient internal business processes, public policy/legal issues requiring additional time to address, or a different philosophy regarding wholesale vs. retail support (e.g., delegating authority vs. internal case processing).

Conclusion

On balance, Ex-Im Bank is close to generally competitive in terms of its overall operational efficiency in the medium- and long-term areas as compared to its G-7 counterparts. While participants in the focus groups noted some concerns, the Bank has undertaken initiatives to improve turn-around time and customer service. In addition, the Bank has received positive feedback from customers over time, including receiving Trade Finance Magazine's "Best Export Credit Agency" award for 2003.

Figure 8: Comparison of Major ECAs' Steps to Improve Operational Efficiency

Factor/ ECA	Better Customer Service? (1&2)	Metrics? (3)	Steps Taken to Meet Metrics(4)	Measure Metrics? (5 & 6)	C/S Surveys & Results? (7)	Response time complaints (8)	Quality vs. Quantity (9)
Coface	YES - Application info req. - Volume of support docs. - Speed: app process, decision & claims - Availability of online app - Staff availability - Availability of Website info & call center - Case sensitive info	YES -Time Metrics: who, how, what, when (ISO 9001)	Limited identification of problem areas and steps taken to address	YES - ISO audits of procedures and reorg that resulted in ISP 9001 certification	YES	YES – Rarely	Need both for ISO
ECGD	YES - Speed: application process & decision	YES -4 working days (WD) for prelim response -10 WD general inquiry - ackn claims -2 WD claims due date or 10 WD if liable	-Underwriting reorganized by sector -New info management system - Customer Service Charter avail online that outlines metrics & complaint procedures - Seminars		YES - 2003 -Cover -Price -Products -Service	YES – Rarely	Both
EDC	YES - Speed: app process, decision & claims - Availability of online app - Staff availability - Availability of website info, call center & regional offices - Better communications w/customers	YES -Speed for all: 1.5 days & 2 days for SMEs	- Extensive online case process info - Off-line SME toll free - Newsletters - Workshops - More communication w/customers - Regional & int'l presence	YES Annual responsiveness Staff resourcefulness Risk Pricing Service Loyalty	YES - annual Response time met; now on value added Better/more communications w/customers & expanded presence	YES - Occasionally	1 st Quality 2 nd Quantity/speed
Hermes	YES - Application info req. - Volume of support docs. - Speed: application process & decision - Availability of website info	NO - no new metrics	- On-line/IMT for ST in 2003, w/ possible expansion to MLT - Contact persons for UW & SME issues		NO - informal dialogue ongoing w/ exporting community	YES - Occasionally; complaints regarding environmental case processing (sensitive cases)	1 st Quality 2 nd Quantity/speed
Japan	YES - Speed: app process, decision & claims - Application info req - Availability of online app - Availability of website info - Staff availability	YES 5 work days to ackn all correspondence	- New on-line/IMT 2005 - Reorganization at each website	YES – bi-annual self checks	YES - improved	YES - occasionally	1 st Quality
SACE	NO	YES : # of new SME customers	-New IMT -Increased avail online info -Reorganization	YES : # of SMEs	YES - Annually surveys customers about products, service, price, web, claims, and private sector comps	Data not available to answer.	Rely on customer info vs. own due diligence
US Ex-Im	YES - Application info req - Speed: app process (MT primarily) - Legal reqrmts./timing - Availability of website info	YES : 80% of MT w/in 20 days	- New IMT in development - Reorganization - Strategic relationship w/ exporters & banks - Claims processing improvements - Outside process engineers - New website	YES	YES	YES – Occasionally	1 st Quality 2 nd Quantity

